



SABR Coalition  
SUSTAINABLE ADVANCED BIOFUEL REFINERS  
[www.sabrcoalition.org](http://www.sabrcoalition.org)



April 10, 2025

Via Electronic Filing ([www.regulations.gov](http://www.regulations.gov))

The Honorable Scott Bessent  
Secretary  
U.S. Department of Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

ATTN: Docket IRS-2025-0002

Re: Notice 2025-10 – Section 45Z Clean Fuel Production Credit;  
Request for Public Comments

Notice 2025-11 – Section 45Z Clean Fuel Production Credit; Emissions Rates;  
Request for Comments

Dear Secretary Bessent:

The Sustainable Advanced Biofuel Refiners (SABR) Coalition is a coalition of biodiesel stakeholders that have invested in building out America's first advanced biofuel. It includes stakeholders from every link in the value chain from feedstock growers to biodiesel producers, distributors, retailers, and consumers, as well as infrastructure and products and services suppliers. Section 45Z was intended to replace certain tax credits that expired at the end of 2024, but the delay in issuing guidance and final regulations has been very detrimental to the biodiesel industry. Biodiesel producers are eligible for Section 45Z Clean Fuel Production Credits, and were encouraged to see guidance provided earlier this year. We appreciate the opportunity to provide the following comments on that guidance, which was provided in Notice 2025-10 and Notice 2025-11. Notice 2025-10 provided draft regulations that would be proposed in a later rulemaking and then finalized. While this guidance was an important step, it is already April of 2025, and more guidance is needed to implement a tax credit that is slated to last only through 2027. Thus, SABR Coalition urges the U.S. Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) to issue revised guidance for taxpayers to rely on (e.g., through proposed regulations) and finalize regulations as soon as possible thereafter. These delays in having the Section 45Z tax credit available despite the statute requiring that they start January 1, 2025, as well as concerns over the disparity in the tax credit values for biodiesel compared to sustainable aviation fuel, have led to SABR Coalition's support for an extension of the Section 40A tax credit for biodiesel, which would provide the industry with certainty while protecting against double-counting with the Section 45Z credits.

## COMMENTS

### I. SABR COALITION SUPPORTS THE DEFINITION OF “SUITABLE FOR USE” AS A TRANSPORTATION FUEL.

The Section 45Z tax credit applies to “transportation fuel,” which is defined as a fuel “suitable for use as a fuel in a highway vehicle or aircraft” and has an emissions rate not greater than 50 kilograms of CO<sub>2e</sub> per mmBTU. 26 U.S.C. §45Z(d)(5)(A). Biodiesel is defined in the draft proposed regulations (§1.45Z-1(b)(20)(ii)(A)) as “the monoalkyl esters of long chain fatty acids that meet the specifications of ASTM D6751.”<sup>1</sup> ASTM D6751 is the industry specification for biodiesel that is typically blended with distillate fuels (i.e., petroleum-based diesel or renewable diesel) for purposes of transportation fuel uses, which includes both on-road and off-road diesel engine applications.<sup>2</sup> Biodiesel fuel registered for use in a motor vehicle under Part 79 of the U.S. Environmental Protection Agency’s (EPA) regulations must meet the ASTM D6751 specification. Thus, as in the draft proposed regulations, biodiesel that meets ASTM D6751 is fuel “suitable for use” in a highway vehicle.<sup>3</sup>

The draft proposed regulations (§1.45Z-1(b)(31)(ii)) properly defines “suitable for use as a fuel in a highway vehicle or aircraft” as fuel that either (a) has practical and commercial fitness for use as a fuel in a highway vehicle or aircraft or (b) may be blended into a fuel mixture that has practical and commercial fitness for use as a fuel in a highway vehicle or aircraft. This properly recognizes that a fuel need not be used as a fuel in a highway vehicle to be considered suitable for use for purposes of being eligible for the Section 45Z tax credit. Suitable is defined as “adapted to a use or purpose” and “able, qualified.”<sup>4</sup> Biodiesel meeting ASTM D6751 is adapted for use as a transportation fuel and able to be used in motor vehicles. This definition is also consistent with Congressional intent. As was explained on the Senate floor, “[t]he credit is intended to incentivize production of biofuels of a certain quality, usable as fuel for highway vehicles or aircrafts, but not limited only to fuels which are actually used in highway vehicles or aircrafts.”<sup>5</sup> 168 Cong. Rec. S4165, S4166 (Aug. 6, 2022).

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<sup>1</sup> The prohibition on transportation fuel that is co-processed does not apply to biodiesel. 26 U.S.C. §45Z(d)(5)(A)(iii). Although biodiesel is often produced using methanol and a catalyst as part of the transesterification process, the “feedstock” used to produce biodiesel is the biomass used, such as soybean oil, canola oil, tallow, etc. The energy of the biodiesel stems from the renewable biomass. Biodiesel is not derived from coprocessing an applicable material with a feedstock that is not biomass.

<sup>2</sup> Although biodiesel can be used as a “neat” fuel, the amount of biodiesel blended into a fuel is represented by the abbreviation Bxx, where the xx represents the volume percentage of biodiesel fuel in the blend. For example, B20 indicates that the fuel contains 20% biodiesel.

<sup>3</sup> We note that the draft proposed regulations properly just refer to ASTM D6751. ASTM specifications can be updated regularly, and incorporation of a more specific version has raised confusion when regulations have not been updated on a consistent basis. Because the reference is for definitional purposes only, we believe this is adequate to meet the requirements of incorporating standards by reference.

<sup>4</sup> Definition of suitable, Merriam-Webster, <https://www.merriam-webster.com/dictionary/suitable>.

<sup>5</sup> As discussed further below, to qualify for the higher values for sustainable aviation fuel, the fuel must be “sold for use in an aircraft.” 26 U.S.C. §45Z(a)(3)(B). This is important because renewable diesel is often confused with

This definition is key for biodiesel. While the vast majority of biodiesel is used for motor vehicles, a key use is for heating oil purposes and it can be used in off-road diesel engine applications. There is no need for producers to trace end uses of the biodiesel. That would only add administrative complexity and unnecessary burdens on biodiesel producers.<sup>6</sup> Thus, SABR Coalition supports the definition of “suitable for use” in the draft proposed regulations and urges the Administration to finalize this interpretation for biodiesel.

## **II. THE TREASURY DEPARTMENT AND IRS SHOULD CLARIFY THAT THE DEFINITION OF QUALIFYING SALES DOES NOT EXCLUDE SALES TO BLENDEES, MARKETERS OR OTHER THIRD PARTIES THAT DISTRIBUTE OR SELL THE FUEL.**

To be eligible for the Section 45Z tax credit, the fuel must be produced by the taxpayer at a qualified facility and sold by the taxpayer to an unrelated person—(a) for use by such person in the production of a fuel mixture, (b) for use by such person in a trade or business, or (c) who sells such fuel at retail to another person and places such fuel in the fuel tank of such other person. 26 U.S.C. §45Z(a)(1), (4). Biodiesel production “begins with the processing of primary feedstock(s) and ends with a transportation fuel ready to be sold in a qualifying sale.”<sup>7</sup> Draft Proposed Regulation, §1.45Z-1(b)(23)(i). While we believe the language in the statute is relatively straightforward to cover different types of fuel sales in the market (e.g., sales to blenders), the draft proposed regulations (§1.45Z(b)(25)(ii)) would define the second type of qualifying sale—“sold for use in a trade or business”—as “sold for use as a fuel in a trade or business within the meaning of section 162 of the Code.” The draft proposed regulations further state that “[t]he term does not include a sale for blending or for further processing, including use as a primary feedstock to produce another fuel.” We understand that a sale for blending would be covered under the first prong of the definition of qualifying sale—for use by such person in the production of a fuel mixture—and believe this exclusion for purposes of defining a sale for use in a trade or business is confusing. Nonetheless, we request confirmation that such is the case.

While SABR Coalition understands concerns with the potential for double counting in the case of the sale of fuel “for further processing, including use as a primary feedstock to produce another fuel,” we are concerned that the proposed definition could exclude sales to third parties prior to sales to the ultimate end user of the fuel, even if that party is an exporter. The statute does not require use of the fuel in the United States. Also, not all “further processing” could result in double counting, making the exclusion overly broad. It must be made clear that such sales would not make the fuel ineligible for the Section 45Z tax credit. Indeed, the statute requires only that the fuel be “suitable for use as a fuel,” and so it makes no sense to require the qualifying sale to be to a party that actually uses the fuel (e.g., a fleet that may have its own

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sustainable aviation fuel as both fuels can be produced at the same hydrotreating facility with some adjustments to the operations.

<sup>6</sup> Heating oil and non-road uses are eligible uses under the Renewable Fuel Standard program, and, as such, it would also be consistent with that program.

<sup>7</sup> SABR Coalition supports the clarification that production would not include minimal processing, such as the addition of an additive to imported fatty acid methyl ester. The Section 45Z tax credit was intended to incentivize production of biodiesel in the United States.

dispensers versus using a retailer). Moreover, “use,” here, could include sales of the fuel as part of the unrelated person’s trade or business.

Biodiesel producers, especially smaller producers, may use third-party traders or distributors to get their fuel to market. Other guidance issued by the Treasury Department and the IRS have recognized that there can be intermediate sales prior to a fuel reaching the end user, requiring only that the end user and the producer be “unrelated.” *See, e.g.*, Notice 2008-60, 30 I.R.B. 178 (June 25, 2008) (finding, for Section 45, “ultimate purchaser” can be unrelated entity for purposes of meeting a “qualifying sale” requirement)<sup>8</sup>; Notice 2023-24 (“Solely for purposes of § 45J, electricity will be treated as sold to an unrelated person if the ultimate purchaser of the electricity is not related to the person that produces the electricity. Thus, the requirement of a sale to an unrelated person will be treated as satisfied if the producer sells the electricity to a related person for resale by the related person to a person that is not related to the producer.”)<sup>9</sup>. This would recognize the different business structures throughout the fuels industry.

SABR Coalition recommends the following revisions to draft proposed regulation §1.45(b)(25)(ii) to clarify the “sale” need not be to the ultimate user of the fuel as a fuel and remove confusion regarding sales to blenders. This would allow intermediate sales even if such sales are to related parties so long as the ultimate user of the fuel is unrelated to the producer.

(ii) Sold for use in a trade or business. The term sold for use in a trade or business means **the fuel is sold or used as part of the unrelated person’s sold for use as a fuel in a** trade or business within the meaning of section 162 of the Code. ~~The term does not include a sale for blending or for further processing, including use as a primary feedstock to produce another fuel.~~ **A sale of fuel will be treated as sold to an unrelated person for these purposes if the ultimate purchaser of the fuel is not related to the person that produces the fuel and does not use the fuel in the production of another transportation fuel that is eligible for a Section 45Z credit.**

*(CLEAN): (ii) Sold for use in a trade or business. The term sold for use in a trade or business means the fuel is sold or used as part of the unrelated person’s trade or business within the meaning of section 162 of the Code. A sale of fuel will be treated as sold to an unrelated person for these purposes if the ultimate purchaser of the fuel is not related to the person that produces the fuel and does not use the fuel in the production of another transportation fuel that is eligible for a Section 45Z credit.*

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<sup>8</sup> Available at <https://www.taxnotes.com/research/federal/irs-guidance/notices/irs-modifies-interim-guidance-on-renewable-energy-tax-credit/1fv1x>.

<sup>9</sup> Available at <https://www.irs.gov/pub/irs-drop/n-23-24.pdf>.

**III. SABR COALITION SUPPORTS INCLUSION OF PROTECTIONS AGAINST ANTI-STACKING AND FRAUD, BUT DOES NOT BELIEVE THERE ARE ADEQUATE PROTECTIONS WITH RESPECT TO RENEWABLE DIESEL AND SUSTAINABLE AVIATION FUEL.**

**A. The Final Regulations Must Provide for Sufficient Protections Against Fraud with Respect to Foreign Used Cooking Oil.**

Domestic biodiesel producers largely utilize domestic feedstocks. Unlike biodiesel, other biofuels, particularly renewable diesel and sustainable aviation fuel, are increasingly using imported feedstocks, particularly used cooking oil. Due to a lack of transparency regarding the source of the feedstock, however, Notice 2025-10 recognizes the potential for fraud with respect to claims of using imported used cooking oil as a feedstock (at 24), stemming from, for example, (a) the improper identification of a substance that is not used cooking oil (e.g., virgin palm oil) and (b) the uncertainty of market impacts caused by incentivizing used cooking oil. Members of Congress, noting a dramatic increase in used cooking oil imports, have raised similar concerns with respect to the Renewable Fuel Standard program.<sup>10</sup> We agree with these concerns, particularly where virgin palm oil would likely not meet the emissions rate requirements and palm oil fatty acid distillates have been expressly excluded from Section 45Z for sustainable aviation fuel.<sup>11</sup> Palm oil and its derivatives can be sold cheaper and displace domestically grown feedstocks.<sup>12</sup> This would be antithetical to the goals of the Section 45Z tax credit. Due to these concerns, Notice 2025-11 properly excludes foreign used cooking oil from non-sustainable aviation fuel from the emissions table until protections against fraud are developed.

However, the emissions rate table does allow producers of sustainable aviation fuel to utilize any pathway established in CORSIA Default or CORSIA Actual if not otherwise listed. CORSIA Default does have a pathway for global used cooking oil. This could simply direct all imported used cooking oil to sustainable aviation fuel production, which already has a higher incentive than non-aviation fuels, through use of the CORSIA Default or Actual emissions rate. In other words, renewable diesel facilities could simply shift all use of used cooking oil to produce sustainable aviation fuel and still obtain a higher tax credit. This disparity in the guidance is detrimental to biodiesel producers as this could result in used cooking oil being purchased by renewable diesel/sustainable aviation fuel producers at a discounted price. This would further benefit sustainable aviation fuel producers that already have a large advantage

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<sup>10</sup> See, e.g., June 20, 2024 Senate Letter to EPA, USDA, Trade Representative, and U.S. Customers and Border Protection, [https://www.ernst.senate.gov/imo/media/doc/used\\_cooking\\_oil\\_letter.pdf](https://www.ernst.senate.gov/imo/media/doc/used_cooking_oil_letter.pdf); December 12, 2024 Senate Letter to EPA, [https://www.ernst.senate.gov/imo/media/doc/uco\\_december\\_letter.pdf](https://www.ernst.senate.gov/imo/media/doc/uco_december_letter.pdf).

<sup>11</sup> EPA's review of palm oil as a feedstock under the Renewable Fuel Standard program found it could not meet the emissions reductions thresholds for that program. 77 Fed. Reg. 4300 (Jan. 27, 2012); see also ICAO, CORSIA Default Life Cycle Emissions Values for CORSIA Eligible Fuels, at 2 (2021).

<sup>12</sup> These concerns have led EPA to investigate the use of imported used cooking oil as a feedstock under the Renewable Fuel Standard. Ryan Hanrahan, *EPA Investigating Used Cooking Oil Import Authenticity*, Farm Policy News, Aug. 8, 2024, <https://farmpolicynews.illinois.edu/2024/08/epa-investigating-used-cooking-oil-import-authenticity/>. We note that concerns have been raised with respect to the requirements for foreign used cooking oil under the Renewable Fuel Standard program as being inadequate. See, e.g., Pro Farmer Editors, *Grassley Criticizes EPA's UCO Import Verification Process*, Farm Journal – Ag Web, Jan. 8, 2025, <https://www.agweb.com/markets/pro-farmer-analysis/grassley-criticizes-epas-uco-import-verification-process>.

because of the higher available credit value. The higher tax credit values for sustainable aviation fuel would, in fact, create greater incentives to commit fraud. Allowing foreign used cooking oil under CORSIA would not, therefore, address any of the agencies' warranted concerns and would disadvantage domestic biodiesel producers that are prohibited from using imported used cooking oil until further notice. As there is no timeframe provided for such guidance, a pause on use of imported used cooking oil should also be placed on sustainable aviation fuel as soon as possible.

Also, all imported feedstocks present an increased potential for fraud due to the more difficult nature to ensure compliance. This lead EPA to impose additional requirements on all users of feedstocks imported from overseas under the Renewable Fuel Standard program.<sup>13</sup> All imported feedstocks should be subject to adequate substantiation and recordkeeping requirements to ensure that proper emissions rate is being utilized.

**B. The Final Regulations Must Provide for Sufficient Protections Against Fraud with Respect to Renewable Diesel and Sustainable Aviation Fuel.**

Renewable diesel and sustainable aviation fuel can be produced at a hydrotreating facility. However, these are two distinct fuels. Section 45Z defines sustainable aviation fuel as fuel "sold for use in an aircraft." 26 U.S.C. §45Z(a)(3)(B). Because of the higher base amount for the tax credit, the final regulations should ensure sufficient provisions to prevent fraud at these facilities to ensure that only fuel actually sold for use in aircraft counts for the sustainable aviation fuel credit. The draft proposed regulations (§1.45Z-4(e)(1)) appear to only have general recordkeeping requirements. Similarly, where renewable diesel meets the same specification as petroleum-based diesel (ASTM D975), there do not appear to be any provisions to ensure the renewable feedstock is not being co-processed with petroleum feedstocks. We refer to EPA's regulations under the Renewable Fuel Standard program as potential provisions to better protect against fraud. These include, among others:

- Testing to confirm renewable content of renewable diesel and sustainable aviation fuel using ASTM D6866, which should apply to ensure against any co-processing that is excluded from Section 45Z (40 C.F.R. §80.1426(f)(4));
- Product transfer documents requiring specific language to ensure the fuel is sold for use in aircraft (40 C.F.R. §80.1453(a)(12));
- Records tying batches of fuel to feedstocks and other information to confirm volumes (40 C.F.R. §80.1454(b)(3)); and
- Records related to used cooking oil (40 C.F.R. §80.1454(j)(1)).

As most transportation fuel producers are likely to be participating in the Renewable Fuel Standard program, these or similar requirements should not be onerous requirements to also

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<sup>13</sup> These same concerns are not present for feedstocks that are imported from Canada, such as canola oil for which EPA has imposed similar requirements for establishing the renewable biomass requirements as U.S. feedstocks.

apply for purposes of the Section 45Z requirements and can be used to confirm the claims for tax credits for renewable diesel or sustainable aviation fuel.

**C. SABR Coalition Agrees that Section 45Z Tax Credits Should Not Apply to Electricity Used as a Transportation Fuel.**

Notice 2025-10 (at 6) provides that the “fuel” eligible for Section 45Z tax credits would include “any liquid or gaseous substance that can be consumed to supply heat or power.” This definition would not include “electricity.” As the Notice explains, Section 45Z is intended to replace other tax credits that related to liquid and gaseous fuels. Also, Section 45Y was separately established by Congress to provide tax credits for clean electricity production, which would include electricity used as a transportation fuel. Section 45Y contains different requirements than Section 45Z. It makes no sense that Congress would have intended to allow electricity producers to claim both credits, potentially circumventing the requirements of one if the other’s requirements are less stringent.

**D. The Final Regulations Must Ensure Against Double Credits for Renewable Hydrogen used in the Fuel Production Process.**

Section 45Z(d)(4)(B) prevents the allowance of both a Section 45Z credit and a credit for clean hydrogen production under Section 45V or 48(a)(15). As Notice 2025-10 recognizes (at 11-12), this “indicates that Congress was concerned about the potential for activity at a particular facility to generate multiple credits in a taxable year and wished to foreclose that possibility.” EPA has recognized that the hydrotreating process at renewable diesel facilities could utilize renewable hydrogen rather than fossil-based hydrogen. 87 Fed. Reg. 80,582, 80,707 (Dec. 30, 2022). Notice 2025-10 recognizes hydrogen could be used as a production input that is accounted for in the lifecycle analysis (draft proposed regulation §1.45Z-2(e)(3)(vi)). It is appropriate not to allow credits for both the hydrogen under Section 45V and the renewable diesel fuel under Section 45Z as the transportation fuel may be receiving benefit through a lower emissions rate under Section 45Z.

**IV. COMMENTS ON EMISSIONS RATE MODELLING.**

For non-aviation fuels, Congress directed use of the Greenhouse gases, Regulated Emissions, and Energy use in Transportation model, which is now known as the R&D GREET model. Regardless of whether it was “designed to be used for determining emissions rates for tax credits,” as noted in Notice 2025-10 (at 15), that is the model Congress requires. Notice 2025-10 attempts to get around this requirement by claiming the 45ZCF-GREET model is a “successor” model. A successor, however, is “one that follows.”<sup>14</sup> The successor takes the place of the thing being replaced. The R&D GREET model, however, has not been replaced. While this determination is to be made by the Secretary, the statute did not direct the Secretary to request a different model be developed to be used. Moreover, the 45ZCF-GREET model does not have the same ability to consider pathways as R&D GREET and provides less flexibility to producers to

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<sup>14</sup> Definition of successor, Merriam-Webster, <https://www.merriam-webster.com/dictionary/successor>.

input data and obtain a more specific emissions profile. Recognizing that there may be a successor model to R&D GREET does not mean that a less comprehensive and less flexible model is an appropriate “successor.”

In particular, we are concerned that the 45ZCF-GREET model is not based on scientific and transparent determinations but on policy determinations by the agency. It is clear that Congress sought a science-based analysis that was not developed based on policy factors. One such issue is the determination of how to account for “indirect emissions” (such as land use changes). Any exclusion or difference in handling of those emissions in the R&D GREET are more likely due to the lack of scientific basis for those emissions versus a policy determination to account for them (or to add requirements to avoid emissions that are unsupported in the real world).<sup>15</sup> The assumptions used can have significant impacts on the results of the model, allowing the agency to impose their policy determinations over those of Congress.

While we believe use of the R&D GREET model is directed by Congress for non-aviation fuels, at a minimum, revisions must be made to 45ZCF-GREET. These include the following.

- More flexibility with respect to inputs into the model must be provided: Notice 2025-10 complains that R&D GREET provides too many choices to users, which can result in different emissions rates with respect to the same fuel. For that reason, 45ZCF-GREET has more “background” data, limiting the “foreground” data that can be adjusted to reflect facility specific operations. This, however, would appear to limit the flexibility of facilities to provide their own inputs into the model. This may not account for innovation at a particular facility that may have reduced their emissions. It also may not adequately consider regional differences, imposing national default numbers. More flexibility must be provided to facilities to allow use of inputs that better reflect their specific operations than the defaults that may have been used in the model. While the R&D GREET model should be allowed to be used in case of different inputs, at a minimum, these facilities should be able to seek Provisional Emissions Rates (PERs). Restrictions on obtaining a PER should be removed to allow parties to seek a PER if they have differences from the inputs in 45ZCF-GREET model. Treasury Department and IRS, however, must issue guidance on seeking PERs as soon as possible.
  - Either R&D GREET should be allowed to be used or more flexibility is needed for biodiesel where 45ZCF-GREET appears to limit input data for biodiesel. For example, coal is not included as an energy source for heat and power for biodiesel. U.S. Department of Energy, *Guidelines to Determine Life Cycle Greenhouse Gas Emissions of Clean Transportation Fuel Production Pathways Using 45ZCF-GREET*, at 11 (2025),

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<sup>15</sup> For further examples and explanation on how “indirect emissions” such as land use changes has been improperly included in some lifecycle modelling approaches for U.S. crops, please see SABR Coalition’s responses to the U.S. House Ways & Means Committee regarding questions on Section 45Z, which we incorporate by reference. A copy of what was submitted is attached to these comments.



[https://www.energy.gov/sites/default/files/2025-01/45zcf-greet\\_user-manual.pdf](https://www.energy.gov/sites/default/files/2025-01/45zcf-greet_user-manual.pdf) (“45ZCF-GREET User Manual”). While most biodiesel plants utilize natural gas, it is unclear why coal is excluded.

- 45ZCF-GREET appears to be limited to transesterification. Esterification, however, should be included. This is a production process recognized by EPA in the Renewable Fuel Standard. 40 C.F.R. §80.1426, Table 1, Pathway F.
- More guidance is needed when using a mixture of feedstocks for biodiesel production. The 45ZCF-GREET User Manual appears to contemplate using a mixture of feedstocks and receiving separate emissions rate for each feedstock. Unlike the regulations implemented for the Renewable Fuel Standard program, however, it is unclear how to assign those values to the volumes produced. The 45ZCF-GREET model does appear to provide some outputs for volume, but the guidance should make clear whether those are the appropriate outputs to use for purposes of applying for the tax credit.
- Canola Oil Biodiesel Should be Eligible for the Section 45Z Credit: Biodiesel produced from canola oil should be eligible for the tax credit. It is our understanding that the 45ZCF-GREET model would result in a default carbon intensity value that may not meet the 50 kg CO<sub>2</sub>e per MMBTU requirement. EPA has long found that canola-based biodiesel is an advanced biofuel, and we believe this is an illustration of issues with the 45ZCF-GREET model that canola oil biodiesel may not be eligible for the Section 45Z tax credit. If the modelling is not updated, facilities should be able to seek a better emissions rate if they can show reduced emissions using the default numbers in the model. This can be done through the PER process for which we continue to wait for guidance. Because Notice 2025-11 lists U.S./Canadian canola oil in the emissions rate table, this would require revisions to the draft proposed regulations that would limit PERs to any transportation fuel for which an emissions rate has not been established.
- Updated Emissions Rates Should be Available to Account for Climate-Smart Agriculture Practices: Notice 2025-10 indicates that the Treasury Department and IRS intend to propose rules at a future date providing that taxpayers will be able to access additional reductions in calculating the emissions rates when using feedstocks grown by farmers utilizing certain climate smart agriculture practices. SABR Coalition believes that crop-based feedstocks are unfairly penalized based on speculative indirect emissions from purported land use changes that have not been seen in the real world. Even as biofuel production has increased, farmers continue to produce crops on less lands, not more. At a minimum, allowing for accounting of emissions reductions stemming from use of climate-smart agriculture practices must be incorporated into the Section 45Z rules. The U.S. Department of Agriculture (USDA) has provided interim rules for such accounting for domestic corn, domestic soybeans, and domestic sorghum. The feedstocks and practices under the USDA model should be expanded, although the issuance of those rules should not wait for the model to be updated. Any rules should ensure to allow the

farmers to show use of these practices, starting January 1, 2025, when the tax credit was to begin. It should also allow the producer to revise the emissions rate if the practice was initiated during the year. Farmers that implemented these practices early and producers should not be penalized for the agencies' delay in issuing these rules.

- Fuel Producers Should be Able to Utilize the Model in Place at Time of Initial Reliance: For non-aviation fuel, the draft proposed regulations explain what emission rate to use when a fuel type and/or category of fuel is added to the table, noting that the emissions rate for the taxable year be used. The draft proposed regulations further indicate that the most recent 45ZCF-GREET Model should be used. However, this could create uncertainty about what the Section 45Z credit amount will be for the duration of the credit period for that facility. Producers should be allowed to rely on the model in place when registered or at the time of initial reliance where many biodiesel producers had already submitted their registration based on guidance that was issued prior to the 45ZCF-GREET Model being made available. In other words, producers should have certainty as to how their emissions rate should be calculated, as the potential tax credit will influence operational, construction, and other business plans. This would be more consistent with the final regulations for the Section 45V tax credit, where the emissions rate that was first applicable (there, at the start of construction) would still apply, even if the facility was no longer eligible under revisions to the model. In other words, the most recent model in place prior to first production under the tax credit regime should be available to the producer even if the model is subsequently changed. That would still allow the most recent applicable determination under that model. If the model is revised, the producer should have the option to present a new determination under the revised model if it provides a better emissions rate. Modifications to a facility could still be subject to a determination under the revised model. Allowing use of a better emissions rate helps support improvements and innovation, but producers also should not have the rug pulled out from under them if there are unknowable changes to a model that occur later in time.
- Additional Biodiesel Feedstocks Must Be Added to the Emissions Rate Table: Notice 2025-10 requests comment on any clean fuel production processes that are currently in commerce that might meet the eligibility requirements of § 45Z but are not included in the 45ZCF-GREET model that is released simultaneously with this notice. As noted above, esterification is a process used to produce biodiesel that is not included in 45ZCF-GREET, but has been approved as a production process by EPA under the Renewable Fuel Standard program. In addition, there are some feedstocks that have been approved by EPA for biodiesel production under the RFS program that should also be listed, such as: cottonseed oil, distillers sorghum oil, and jatropha oil (biodiesel and renewable diesel). Other feedstocks for biodiesel that have not yet been approved by EPA should also be considered to be added to the model. These include sunflower oil, peanut oil, flaxseed oil, and hemp oil. Diversity of feedstocks would allow for greater efficiencies, mitigate against volatility in the market, and support competition.

## V. ADDITIONAL COMMENTS

SABR Coalition provides additional comments on certain aspects of the regulations applicable to the Section 45Z tax credits as follows.

- Prevailing Wage and Apprenticeship Requirements: We ask this Administration to review ways to streamline the prevailing wage and apprenticeship requirements. The requirements finalized are overly burdensome and can be streamlined to reduce administrative costs while still assuring compliance. The guidance is not clear as to the meaning of “repairs” that would trigger these requirements, and we believe Congress was concerned with “new” facilities or repairs that could extend the life of a facility rather than just put it back into operation. Maintenance, even if non-routine, should not be subject to these requirements as they are not “construction, alteration, or repair” that would change the facility in a way that is meaningful with respect to the facility’s emissions rate. Guidance also could clarify what actions would fall under this category, such as using a capital expenditure threshold, triggering recordkeeping requirements. Thus, we believe additional guidance as to the meaning of “repair” would be helpful as we do not believe Congress intended these requirements to apply to mere maintenance. Further, we suggest reconsidering the necessity for producers to supply evidential proof for contractors and subcontractors working on non-routine maintenance. Fuel producers do not have control over the hiring practices of contractors and subcontractors and would have limited access to documentation. They should be able to rely on assurances from their contractors that any prevailing wage and apprenticeship requirements are being met.
- Definition of Biomass: Biomass is defined, as provided in Section 45Z(d)(5)(B)(ii) (citing Section 45K(c)(3)), as any organic material other than (i) oil and natural gas (or any product thereof) and (ii) coal (including lignite) or any product thereof. This is understood to reference fossil fuels. However, confusion has arisen from the fact that biodiesel is produced from “oil” that is extracted from renewable biomass. For clarity, we ask that the definition make clear that the “oil and natural gas” being referenced are fossil based oil and natural gas.
- Calculating Volumes: Notice 2025-10 would determine volumes based on a gasoline equivalent analysis. However, for the Renewable Fuel Standard program determines values on an ethanol-equivalent basis. As such, biodiesel gets higher values based on its higher energy compared to ethanol. To be consistent, a similar approach should be followed here. In either case, the Treasury Department and IRS must recognize that there may be differences in calculations when determining credits under Section 45Z compared to generation of Renewable Identification Numbers under the Renewable Fuel Standard program.

SABR Coalition  
Comments on IRS Notice 2025-10 and Notice 2025-11  
April, 10, 2025  
Page 12

SABR Coalition appreciates the work to provide guidance on implementation of the Section 45Z tax credits. We urge the Treasury Department and IRS to implement the recommendations noted above and issue revised guidance (e.g., a proposed rule) and final rules as soon as possible thereafter in light of the limited duration of these credits. We look forward to working with this Administration on these very important issues for the biodiesel industry.

Thank you for your consideration of these comments.

Sincerely,

Joe Jobe  
Chief Executive Officer  
SABR Coalition