SCALING SUSTAINABLE AVIATION FUEL

C2ES CENTER FOR CLIMATE AND ENERGY SOLUTIONS

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In April 2024, C2ES hosted a roundtable in the state of Washington to consider how federal policy solutions could support the development of the sustainable aviation fuel (SAF) industry in the region. The roundtable brought together nearly 40 local stakeholders representing companies, state and local government, labor, and nongovernmental organizations. The conversation was centered around a series of facilitated small group discussions and designed to learn from local stakeholder experiences to develop specific and actionable federal policy solutions to supplement state-level support for SAF.

BACKGROUND ON SAF AND WASHINGTON STATE POLICY

Sustainable aviation fuel is an umbrella term for jet fuels that are not petroleum-based, can be blended with conventional jet fuel, and can be used in today's aircraft. Once SAF is blended with jet fuel, it becomes part of the jet fuel mix and is no longer differentiated from conventional jet fuel; it can be transported on the same pipelines, fuel tanker trucks, and rail cars as conventional jet fuel.

Washington has done pioneering work to study and plan for a regional SAF supply chain, including the first regional assessment of SAF in the country in 2011 and an alternative jet fuels work group founded in 2012 to provide annual updates and inform the state legislature on necessary policy. In 2023, the Washington legislature passed Senate Bill 5447, which included multiple components designed to expand the SAF industry and attract investment in fuel production to Washington. These components include a new business and occupation (B&O) or public utility tax credit for certain sales and purchases of SAF in the state, a preferential business and occupation tax rate for those manufacturing SAF, and a directive to include at least one SAF pathway in the state's Clean Fuels Program (CFP). Notably, Washington is the only state where SAF is credited under both the tax code and as an opt-in fuel under the state's Clean Fuels Program.

FEDERAL POLICY RECOMMENDATIONS

Through the Washington roundtable sessions and subsequent discussions with participants, several recommendations for U.S. Congress emerged to address areas of high need for scaling the SAF industry. The areas of need include: unlocking private investment in SAF production; supporting the buildout of SAF infrastructure; accelerating SAF utilization; and encouraging equitable workforce development in the SAF industry.

UNLOCKING PRIVATE INVESTMENT IN SAF PRODUCTION

Congress should extend tax credits to cover at least 10 years from when a SAF production facility is placed in service.

The Inflation Reduction Act's (IRA) two distinct tax credits, 40B and 45Z, are designed to increase SAF's competitiveness and spur new production, but the duration of the tax credits—which expire successively at the end of 2024 and 2027—does not align with the time needed to bring new production online (approximately 5 to 7 years). Extending the eligibility period of SAF tax credits to 10 years following the date a facility is placed into service would provide the economic certainty needed for investments in new capital-intensive SAF facilities. The extension would also align SAF credits with the duration afforded to other tax credits created by the IRA, including the 45V Clean Hydrogen Production Tax Credit.

For more information, please contact C2ES Director of Advocacy Rose Luttenberger (*luttenbergerr@c2es.org*).

SUPPORTING SAF PRODUCTION, TRANSPORTATION, & BLENDING INFRASTRUCTURE

Congress should provide not less than $244,500,000 annually for FAST-SAF.

The SAF Grand Challenge estimates that $30 billion dollars of capital investment is needed to build out the production and delivery infrastructure to meet the U.S. goal of producing 3 billion gallons of SAF domestically by 2030. Meeting the U.S. goal to provide 100 percent of the aviation fuel demand with SAF by 2050, estimated to be 35 billion gallons, will require hundreds of billions of dollars in capital investment. The FAST-SAF grant program, created by the IRA section 40007, aims to unlock capital for investments in large-scale SAF infrastructure projects. But the one-time, $244.5 million program will not be able to catalyze the scale of private capital needed to accelerate the nascent industry.

SUPPORTING SAF UTILIZATION

Congress should direct the Federal Aviation Administration (FAA) to allow SAF purchasing and investments in SAF infrastructure as an appropriate use of airport revenue.

Under federal law, there are strict regulations on permitted and prohibited uses of revenue generated from any airport that receives federal assistance. While direct procurement of SAF and offsite infrastructure investments are not explicitly prohibited, there is a risk that they could be considered revenue diversion. The most recent amendments to the FAA's *Policy and Procedures Concerning Use of Airport Revenue* were published in 2014, predating commercially available SAF in the United States. It is important to clarify the resources available to U.S. airports, should they determine it is in their best interest to become more active stakeholders in the development of the domestic SAF market.

SUPPORTING EQUITABLE SAF WORKFORCE DEVELOPMENT

Congress should direct federal agencies administering SAF-related funding to require applicants to consider how the project will support equitable workforce development.

The FAST-SAF notice of funding opportunity mentions addressing equity as a key criteria for application evaluation in second-level review and is an example of the type of considerations that should be made to encourage equitable workforce development. This includes the use of demonstrated strong labor standards, practices, and policies; safety and health standards; the use of Local Hire Provisions; and registered apprenticeships. These conditions of positive workforce development should be considered for all federal SAF-related funding applications and expanded to include access to wraparound service, such as access to transportation to work and childcare during work hours.

You can read the full brief *Scaling Sustainable Aviation Fuel: Recommendations to Federal Policymakers from Washington State*—which contains background on SAF, key themes from the roundtable, and the full set of policy recommendations—on the C2ES website or by scanning this QR code:

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The Center for Climate and Energy Solutions (C2ES) is an independent, nonpartisan, nonprofit organization working to secure a safe and stable climate by accelerating the global transition to net-zero greenhouse gas emissions and a thriving, just, and resilient economy.

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