Congress of the United States
Washington, DC 20515

May 17, 2023

The Honorable Janet Yellen
Secretary
U.S. Treasury Department
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Secretary Yellen:

Thank you for your leadership in implementing the *Inflation Reduction Act* (IRA). We are proud to have helped pass this legislation, which represents the single biggest federal effort to combat the global climate crisis. We were particularly proud that the IRA included our *Sustainable Skies Act* that enacts a tax credit to support Sustainable Aviation Fuel (SAF), the only near-term way the U.S. economy can decarbonize commercial aviation.

As you know, aviation represents more than 2% of global carbon emissions annually. Electrification is a near-term mechanism for decarbonizing ground transportation, and we applaud the progress the IRA made to incentivize the adoption of affordable electric vehicle technology. Aviation is different, however. It does not have a similar path to decarbonization – as electrification is not currently a viable option for large aircraft. SAF remains the only mechanism for decarbonizing commercial aviation in the near-term. Airlines and aviation stakeholders have made commitments to incorporate SAF into their future operations, but current production capacity is unable to meet this demand.

Our *Sustainable Skies Act* that was included in the IRA creates a tax incentive to grow the capacity of domestic SAF production. The *Sustainable Skies Act* was supported by a diverse array of stakeholders – from the airlines industry and fuel producers, to organized labor and environmental advocates – and we were excited to see it become law as part of the IRA. SAF represents a promising opportunity for the U.S. to lead on commercial aviation decarbonization and, if calibrated correctly, the incentives in the IRA will play a critical role in scaling up domestic production. Part of this is by design. For instance, the SAF credit is more generous relative to on-ground fuels because it has higher standards for greenhouse gas reduction and because the domestic SAF production capacity is still in its nascent stages. Going forward, Treasury's rulemaking will play a critical role in ensuring the credit operates effectively and as intended.

Under the *Sustainable Skies Act*, entities could access the credit if their fuel had at least a 50% greenhouse gas reduction demonstrated by one of two methodologies for determining lifecycle emissions. Entities could demonstrate their eligibility through the lifecycle analysis already established by the International Civil Aviation Organization (ICAO). Alternatively, entities could demonstrate eligibility through another methodology determined by Treasury, in consultation with the Administrator of the Environmental Protection Agency (EPA), to be "reflective of the latest scientific understanding of lifecycle greenhouse gas emissions," and is "as stringent" as the ICAO methodology. Under the IRA, this evolved to the domestic eligibility abiding by "any similar methodology" which satisfies the Clean Air Act's definition of lifecycle greenhouse gas emissions, a substantively similar approach. By design, these two eligibility criteria were always intended to be functionally independent—and our work on the domestic eligibility lifecycle analysis (LCA) was always meant to rely on the breadth of U.S. expertise to inform the domestic eligibility criteria. This domestic LCA could build on the important work the U.S. Department of Energy has done with Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation (GREET) model or could be a different approach, so long as this criteria could operate independently of ICAO.

This functional independence is critical to avoid having one criteria serve as the de facto methodology for both, an outcome *Sustainable Skies* deliberately tried to avoid. For instance, induced land use change (ILUC) is an important variable in accurately assessing an SAF's lifecycle greenhouse gas emissions. Both ICAO and existing U.S. domestic standards like GREET are capable of accounting for ILUC. Requiring a U.S. domestic standard to rely only on ICAO ILUC values would be contrary to the functional independence *Sustainable Skies* intended for these two criteria and would hinder the operability of the credit.

It is worth noting that this need for "functional independence" applies to how entities calculate the lifecycle analysis of SAF. That certain parts of the IRA require transparency requirements – like following the requirements for supply chain traceability and information transmission from the Carbon Offsetting and Reduction Scheme for International Aviation – should not be misconstrued to imply the broader ICAO requirements applies to calculating the lifecycle analysis.

We look forward to working together as Treasury implements IRA-related rulemaking, particularly as it relates to SAF. We must ensure that the SAF credit is operable and adheres to the legislative intent of the IRA. To that end, as Treasury and the EPA work to finalize the SAF rulemaking, it is imperative that the eligibility criteria – whether through ICAO or a domestic standard that builds on U.S. models like GREET – be functionally independent.

With every day that passes, we learn more about the profound impact the IRA is already having to combat the climate crisis and create jobs in the U.S. Thank again for your leadership. Please do not hesitate to reach out to follow up should you have any questions.

Sincerely,

Bradley Scott Schneider
Member of Congress

Sherrod Brown
United States Senator

Julia Brownley
Member of Congress

Daniel T. Kildee
Member of Congress

Jimmy Panetta
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