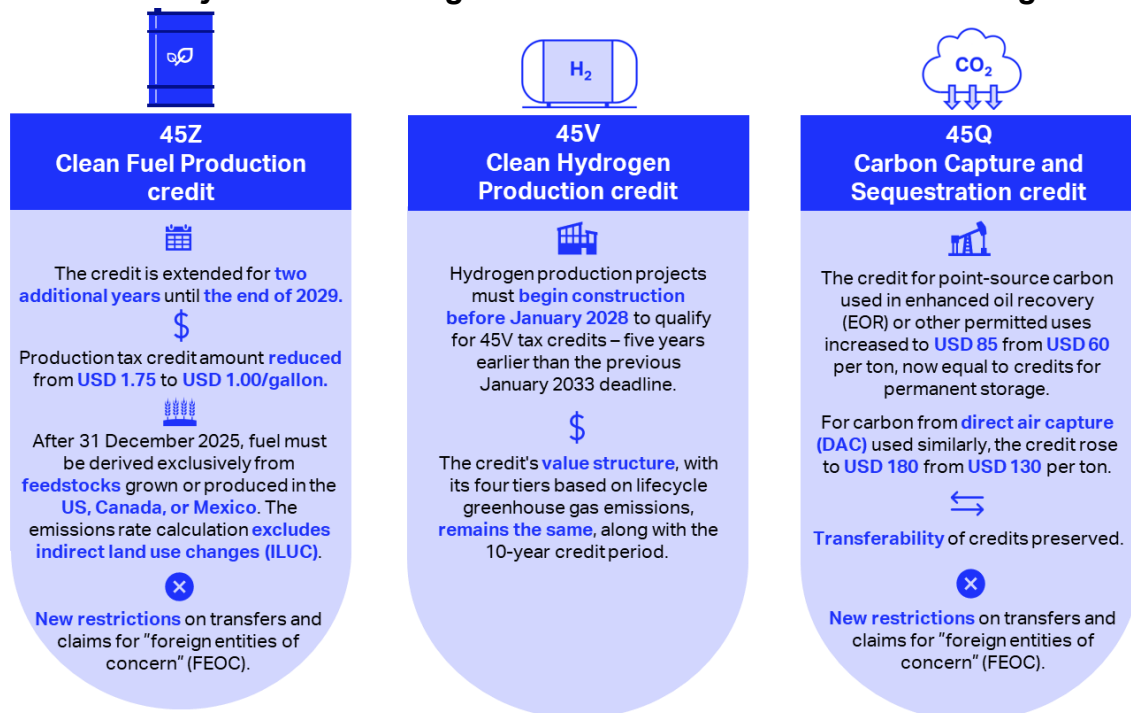


## The evolving US federal support for biofuels

Changes introduced by the US “One Big Beautiful Bill” on tax credits affecting aviation



Source: IATA Sustainability and Economics

- The One Big Beautiful Bill Act (OBBBA) continues and even prolongs federal support for sustainable aviation fuel (SAF), but priorities shift toward domestic biofuel and agricultural support.
- The two-year extension of the 45Z Clean Fuel Production Credit until 2029 is a positive regarding fiscal support for biofuels. However, the requirement that feedstocks must be sourced only from the United States (US), Canada, or Mexico restricts the use of international inputs, such as used cooking oil, which is widely utilized in SAF and renewable diesel (RD) production. Furthermore, the SAF credit is reduced from USD 1.75 to USD 1.00 per gallon, weakening the relative competitiveness of SAF compared to RD. The bill also removes indirect land use change (ILUC) from lifecycle emissions calculations, allowing previously ineligible feedstocks to qualify for tax credits, departing from internationally agreed sustainability standards approved under the [CORSIA Eligible Fuel Criteria](#).
- The OBBBA phases out the 45V Clean Hydrogen Production Credit for projects that have not commenced by the end of 2027, which is five years earlier than under the Inflation Reduction Act. The accelerated phase-out shortens the investment horizon for hydrogen infrastructure, particularly affecting Power-to-Liquid (PtL) SAF development. Given the complexities involved in PtL projects, this change may stall progress and diminish the role of the US in scaling e-fuels technologies.
- On the other hand, carbon capture technologies are receiving a boost from the 45Q tax credit. Point-source capture for utilization or enhanced oil recovery (EOR) now earns USD 85/ton, up from USD 60/ton, and this will support PtL production, although it applies only to new facilities placed in service after 4 July 2025.

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