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New 45Z Clean Fuel Credits Regs: 60-Days to Engage!

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The U.S. Department of the Treasury released proposed regulations for the Section 45Z Clean Fuel Production Tax Credit (45Z), offering long-awaited clarity for domestic producers of clean transportation fuels and upstream agricultural suppliers. The proposal covers eligibility, lifecycle emissions accounting, certification, and key definitional issues that will drive credit planning and claims beginning this tax year.

Publishing the proposed rule triggers a **public comment period closing April 6, 2026**, with further technical guidance expected thereafter. A public hearing on the proposed rule is scheduled for May 28, 2026 (requests to speak and outlines of topics must be submitted by April 6).

Background and Scope

- The 45Z credit, effective for fuel produced and sold starting January 1, 2025, applies to domestically produced clean transportation fuels across two categories: sustainable aviation fuel (SAF) and non-SAF transportation fuels.
- The “One Big Beautiful Bill Act” (OBBBA) extended 45Z two years to December 31, 2029, and made technical modifications around transportation fuels' carbon intensity.

Key Proposed Changes Implementing OBBBA

<ul style="list-style-type: none">• Extension through December 31, 2029.• Feedstock limitation to those grown or produced in the U.S., Mexico, or Canada.• Foreign entity prohibitions affecting ownership and participation.• Broader sale attribution for fuel sold via related intermediaries, expanding eligibility in complex supply chains.• Elimination of the special rate for SAF, standardizing rate treatment across fuel types.	<ul style="list-style-type: none">• Anti-abuse provisions to prevent double crediting.• Prohibition on negative emissions rates except for fuels derived from animal manure.• Requirement for feedstock-specific emissions rates for animal manure-derived fuels.• Exclusion of indirect land use change from emissions rates.
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Why It Matters

- **Engagement is key:** This proposed rule filled many gaps but left several issues unaddressed. Early action during the rulemaking process—submitting specific comments, joining public hearings, and working with administrators—offers opportunities to shape the final rule.
- **Financial, contractual, and competitive impacts:** Credit value will hinge on documented carbon intensity and qualified sales structures.
- **Risk management:** Weaknesses in feedstock origin tracking, lifecycle emissions modeling, or contract language may delay or disallow claims, impacting margins and liquidity. The indirect land use change (ILUC) exclusion and North American feedstock limitation will reshape pathway economics and procurement strategies, potentially advantaging certain crops, regions, and logistics configurations.
- **Strategic positioning:** The broadened sale attribution and prohibited foreign entity rules will affect corporate structures, marketing arrangements, and cross-border supply chains.

Conclusion

The comment window is short, and early positioning will determine who secures the largest share of 45Z value. The Holland & Hart Federal Affairs team helps clients amplify their voice in complex rulemakings and navigate regulatory processes that shape industry outcomes.

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