

Renewable Natural Gas Incentive Act

Renewable Natural Gas (RNG) is a clean, affordable, reliable, waste-derived fuel, powering heavy-duty vehicles with carbon-neutral or carbon-negative footprint, depending on the feedstock. Natural gas vehicles (NGVs) have ultra-low emissions¹ and fueling NGVs with RNG provides countless benefits.

Why RNG for Transportation?

- RNG holds the **lowest carbon intensity** of any on-road vehicle fuel, including fully renewable electric.²
- NGVs fueled with RNG reduce smog-causing NOx emissions by up to **97%**, diesel particulate matter by up to **94%**, and GHG emissions by as much as **80%** compared with the diesel vehicles they replace.
- **47%** of trucks on road don't meet EPA's 2010 standards and there exists a significant gap between real-world and engine certified emissions.



Implement a \$1.00 credit for use of RNG in transportation

- RNG for fueling can cost two to three times more than CNG per MMBtu.
- The dirtier the feedstock and lower CI RNG fuel is, the more production costs per gallon.³
- Comparable fuels receive **\$1.00/gallon** despite worse carbon intensity and emissions.
- NG trucks save drivers and fleets money each year they are in use compared to diesel trucks, but they cost approx. \$65,000 more per vehicle.
- This fuel credit helps to offset the cost of investing in new, clean vehicles and ensure the oldest, dirtiest diesel trucks are taken off of our roads.

RNG: Jobs Creation & Rural America



- RNG is poised to be an economic driver and job creator across the country, unlocking millions of dollars of investment in local economies and supporting hundreds of thousands of clean energy-sector jobs in construction, operations, maintenance, manufacturing, and engineering.
- RNG production results in increased gas collection at landfills, wastewater treatment plants, and agricultural waste streams while simultaneously benefiting communities that are disproportionately impacted by air, water, and odor pollution.
- RNG production creates approximately **550** additional jobs per 100 million Ethanol Gallon Equivalents (EGEs) of RNG when compared to other fuel production.⁴
- Incremental jobs were estimated to provide income per worker of **\$68,960**.

It is for these reasons we ask Congress to implement a \$1.00/gallon tax credit on the sale or use of RNG as a transportation fuel.

[1] <https://transportproject.org/rng-is-how/>

[2] <https://ww2.arb.ca.gov/resources/documents/lcfs-pathway-certified-carbon-intensities>

[3] https://www.anl.gov/sites/www/files/2020-11/RNG_for_Transportation_FAQs.pdf

[4] <https://static1.squarespace.com/static/53a09c47e4b050b5ad5b4f45/t/5ce6c195ec212d3893613c23/1558626712387/BW+RNG+Report+Final+2019.04.05.pdf>

Investing in commercially available vehicles fueled by RNG is among the most cost-effective and immediate climate positive change policymakers can affect.

Learn more at TransportProject.org

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About the Credit

- Introduced by Reps. Sanchez (D-CA) and Fitzpatrick (R-PA) and Sens. Tillis (R-NC) and Warner (D-VA)
- This credit is modeled after the Alternative Fuels Tax Credit (6426 (d)).
- The credit provides an incentive for Renewable Natural Gas (RNG) when used as a “motor vehicle” fuel (including use in some nonroad vehicles).
- The incentive is provided to businesses, individuals, and tax-exempt entities that sell or, in some cases, use the fuel.
- The general rule is that the credit goes to the seller in the case of retail transactions. If the fuel is dispensed using a private fueling station, the credit may go to the user of the fuel.
- For businesses and tax-exempt entities (e.g., federal, state and local governments), the credit must first be taken as an excise tax offset against taxes otherwise owed on alternative fuel they use or sell, and then it may be taken as a refundable credit.
- Many tax-exempt entities will not owe any excise taxes and can immediately apply for a payment that essentially amounts to a rebate.
- In the case of individuals using the fuel for personal vehicles, the incentive is limited to an excise tax offset.

Tax Credit Value

- The RNG Credit would be worth \$1.00/gallon equivalent.
- For purposes of determining the gallon equivalents, the bill points to existing IRC 6426 subsections (d)(3) for compressed gas and (j)(2) for liquefied gas.

Fuel Requirements

- For purposes of this credit, the term “Renewable Natural Gas” is defined as compressed or liquefied renewable natural gas derived from biomass (as defined in section 45K(c)(3)).
- This credit utilizes existing fuel definitions in the tax code.

Good Governance

- Any gallon of fuel is eligible for either the Alternative Fuels Tax Credit or the Renewable Natural Gas Fueling Credit; not both.
- No credit shall be given unless the taxpayer obtains certification from the producer of the compressed or liquefied renewable natural gas which identifies the product produced and the percentage of renewable natural gas in the product.
- Such certification shall allow claims for sales of fuel that have been nominated or contracted for and ensure there is no double counting of credits.
- This certification mechanism is modeled after existing biodiesel certification.

Supported by dozens of agricultural, energy, and transportation interests and organizations, including:



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