

SB 2006 Tax Commissioner Appropriation

Sustainable Aviation Fuel (SAF) sales and use tax exemption

North Dakota Ethanol Producers Association

- In response to the fuel market incenting low carbon fuels, North Dakota ethanol plants are evaluating and investing in lowering the carbon intensity of the fuel that they produce.
- Given that ethanol is a renewable fuel it already has a lower carbon intensity than fossil fuels.
- One of the single biggest carbon reduction technologies an ethanol facility can implement is carbon capture and storage. The second biggest is a carbon free fuel supply to the facility such as biomass for production energy needs.
- Ethanol with a very low carbon score opens additional market opportunities for ND plants beyond ground transportation fuel such as sustainable aviation fuel (SAF).
- SAF is a drop in fuel made from low carbon renewable sources that results in aviation grade fuel that has a 50% lower life cycle carbon intensity than conventional aviation fuels.
- There are currently over 6 American Society for Testing and Materials (ASTM) approved SAF production pathways that allow for blending up to 50% SAF with conventional jet fuel.
- Domestic jet fuel demand is approximately 20B gallons annually with international demand near 100B gallons projected to be 250B in 2050.
- The capital investment needed to produce SAF from ethanol is a significant investment. Today estimates are approximately \$20 /gallon.
- The IRA created the first tax incentive for SAF further advancing economics and viability of SAF production. This incentive starts in 2025 at \$1.75 per gallon.
- A sales and use tax exemption would help incentivize a SAF production facility in the state by alleviating these taxes on the investments needed for SAF production.

- SAF production will develop and expand and this incentive will help attract projects to ND. These facilities will ensure the sustainability of our current ethanol facilities and provide opportunities for processing agricultural products into the next generation fuels.
- SAF production facilities will create high paying long term career opportunities and ensure markets for energy and agriculture in ND.