Section 45Z Clean Fuel Production Credit: American Forest & Paper Association Comments on Internal Revenue Service Proposed Regulations

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04/23/2026

The American Forest & Paper Association ("AFPA") submitted April 6th comments on the proposed regulations the United States Department of Treasure and Internal Revenue Service (collectively, "IRS") published in February regarding the Clean Fuel Production Tax Credit ("PTC") under Section 45Z of the Internal Revenue Code.

The proposed regulations can be relied upon until they are finalized if the taxpayer is guided by them in their entirety and in a consistent manner.

The proposed rules address how to determine clean fuel production credits including:

- Credit eligibility rules.
- Emission rates.
- Certification requirements.
- Registration requirements.
- Elective payment and credit transferability.

The Section 45Z PTC was enacted as part of the Inflation Reduction Act of 2022. The PTC replaced the previous renewable fuel incentives. The objective is to incentivize domestic production of lower carbon alternatives to petroleum-based fuels.

The One Big Beautiful Bill enacted in 2025 extended and modified the credit. It is based on the quantity of clean fuel produced and sold by a domestic producer. The domestic producer must chemically process feedstocks into finished fuel during the time period of January 1, 2025, to December 31, 2027.

AFPA states that it:

… urges Treasury to determine in its final rule and Annual Table that transportation fuels produced from byproducts of pulp and paper manufacturing such as tall oil, methanol, bark, and lignin are qualified with an emissions rate of not greater than 50 kg CO2e/mmBTU.

AFPA supports Treasury's determination to not include electricity in the definition of "transportation fuel."

AFPA's comments address:

- Pulp and Paper Manufacturing Byproducts That Can Be Used as Transportation Fuel

- Overview of Fiber Supply for the U.S. Pulp and Paper Industry
- Forest Products Manufacturing Provides Far More American Jobs and Economic Benefits than Stand-Alone Bioenergy Generation
- Section 45Z of the Internal Revenue Code
- Treasury's Proposed Rule
- Emissions rate methodology and limits
- PER petition procedures
- Indirect land-use changes
- Definition of "suitable for use"
- Electricity not included in the definition of "transportation fuel"

A copy of the AFPA comments can be found here.