

**ACE Oral Testimony — Section 45Z Clean Fuel Production Credit  
Treasury/IRS Public Hearing | May 28, 2026**

**INTRO**

- My name is Jonathon Lehman, presenting on behalf of the **American Coalition for Ethanol (ACE)**
- ACE represents U.S. ethanol biorefineries, farmers, investors, and rural communities
- Appreciate this opportunity to testify

**WHO WE ARE & WHAT'S AT STAKE**

- ACE members sit at the intersection of American agriculture and American energy
- U.S. corn farmers are heading into **4th consecutive year of net profit losses** in 2026
- 45Z — strengthened in the One Big Beautiful Bill (transferability, extended through 2029) is a genuine market-based lifeline
- But only if Treasury finalizes rules that allow **full monetization of low-carbon farming practices**

**OBBB CHANGES: WHAT CONGRESS DID**

- The One Big Beautiful Bill made important improvements to 45Z:
  - Extended the credit through **2029**
  - Added **transferability**
  - Addressed **indirect land use change (ILUC)** excluding it from emissions calculations
- These are wins — Treasury's final rule must fully implement them

**CENTRAL REQUEST: INCLUDE FARMING PRACTICES IN 45Z — NOW**

- Farming practices = **~half of ethanol's carbon intensity**

- No-till, reduced tillage, cover crops, precision nutrient management are *central* to farmers and ethanol companies maximizing benefits of the tax incentive
- If Treasury allows these practices to qualify properly → **billions of dollars annually** will flow to ethanol producers and farmers

### **Two Important Points to Highlight —**

1. *USDA's Feedstock Carbon Intensity Calculator (FD-CIC) is good, but 45Z rule should make clear that annual/periodic updates are expected*
  - ACE is partnering with USDA and DOE on project in South Dakota to validate the carbon intensity of practices with work in 9 other states as well
  - **Field-level data confirms that conservation practices measurably improve soil health and GHG outcomes.** For example, research across 446 Missouri farm fields and 550+ South Dakota farms shows that no-till, cover crops, and manure management consistently increase soil organic carbon, reduce erosion, and improve soil respiration — precisely the input variables that drive accuracy in the FD-CIC model.
  - **Land grant research is generating the empirical data needed to improve the FD-CIC.** Work shows soil organic matter increasing at 430 lbs/acre/year under conservation practices, directly improving soil water retention and nitrogen use efficiency — quantifiable, regionally specific benefits that current FD-CIC models undervalue by 2–4 times depending on the practice.
  - **ACE's continued work with land grant partners supports the ensemble modeling improvements needed to make 45Z carbon intensity calculations more accurate.** The SD Regional Conservation Partnership Program (RCPP) has already demonstrated over 50% improvement in modeling accuracy by integrating DAYCENT, DNDC, and ecosys models with field-level validation data — a template for how ongoing land grant research translates directly into a more representative FD-CIC framework.
  - The rule should envision updates to the FD-CIC based on new information such as this when it is available
  - That said, DOE should incorporate the FD-CIC as a module into the **45ZCF-GREET model** in this final rule

## 2. *Verification: Build on USDA Experience*

- There is **no need to reinvent the wheel** — USDA already requires verification for the same practices for NRCS conservation programs such as EQIP, CSP and RCPP. Further, they have given significant thought through their FD-CIC rulemaking process on how verification can work in programs such as 45Z
- ACE wants to ensure the **value of 45Z stays with ethanol companies and farmers** — not syphoned away through expensive verification protocols
- Rules should be flexible enough to allow farmers and ethanol companies to innovate in efforts to meet verification requirements
- Treasury should refrain from adding any new burdens that will increase costs and stifle participation

## **TWO ADDITIONAL PRIORITIES**

### **Energy Attribute Certificates (EACs/RECs)**

- On the issue of energy attribute certificates, or EACs, it is essential that Treasury clarifies that EACs will be available for the entirety of the 45Z program
- Treasury should take a **flexible approach** to EACs — do not import the 45V "three pillars" rules wholesale
- Allow utilities to source EACs from wholesale power suppliers that cross market regions
- This is especially important for ethanol plants served by **rural electric cooperatives**

### **Corn Kernel Fiber (CKF)**

- CKF production pathways are already in use at many ACE-member facilities
- Treasury should **include CKF in the next emissions rate table** — not force producers through the slow, burdensome Provisional Emissions Rate (PER) process

## CLOSING

- ACE appreciates progress in the proposed rule
- Treasury should finalize the rule **with urgency** and send a clear signal to DOE that **FD-CIC integration is expected**
- ACE's USDA-NRCS RCPP activity is generating real-world data on low-carbon farming practice values — we stand ready to share that with Treasury, USDA, and DOE in future updates
- Farmers and rural communities **cannot afford further delay**
- **Thank you**