

The Renewable Chemicals Act

Industrial biotechnology is enabling the production of a new generation of renewable chemicals, bioplastics, and biobased products produced from biomass. These can serve as a replacement for, or supplement to, traditional fossil fuel-based chemicals and products. The emergence of this technology represents a historic opportunity to reverse job losses in the chemicals and plastics sectors, increase energy security, replace fossil fuel-derived chemicals, reduce greenhouse gas emissions, maintain U.S leadership in clean energy and chemistry, and build domestic biobased production facilities.

The Renewable Chemicals Act would provide a production tax credit for the production of qualifying renewable chemicals, or alternatively, an investment tax credit for renewable chemical production facilities. The bill would accelerate commercialization of renewable chemicals and help build a resilient, biobased economy. This bill is endorsed by the Alternative Fuels & Chemicals Coalition (AFCC) and Defend our Health.

Summary of the bill:

- Establish a Credit for Qualifying Renewable Chemicals/Facilities:
 - Create a targeted, short-term production tax credit of 15 percent of the sales price of each pound of a renewable chemical produced and sold for its fair market value at retail by the taxpayer during the taxable year. The credit is reduced by a percentage equal to the percentage of the renewable chemical which is not biobased content. In lieu of the production tax credit, producers can also elect to take a 30% investment tax credit for qualified investments in new renewable chemical production facilities. Taxpayers are prohibited from electing to take both credits.
 - Renewable chemicals are defined as any chemical produced in the U.S. from renewable biomass that is not less than 95% biobased content and is approved to use the USDA Certified Biobased Product label.
 - Any renewable chemical used or sold as food, feed, fuel, or pharmaceuticals would not be eligible for the credit.
- Credit Cap for All Production: A maximum total of \$500 million in tax credits would be allocated over the duration of the program, capped at \$125 million per taxpayer.
- Time Limitation: The credit would expire five years after the date of enactment.
- Qualifying for Credits:
 - The Treasury Department and USDA would review taxpayers' applications in a competitive process to ensure conformance with legislative intent.
 - For each calendar year of the program, producers may submit renewable chemical credit applications based upon an estimate of their productive capacity in the upcoming year.
- Criteria for Evaluation of Applications: The application would be evaluated based on multiple factors, including job creation, energy independence, innovation, environmental benefits, commercial viability, market size, and production scale.