



August 2, 2022

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

Subject: Preserving New York State's Climate Goals in the *Inflation Reduction Act*

Dear Leader Schumer:

On behalf of the Empire State Energy Association (ESEA), New York State Energy Coalition (NYSEC), Energy Marketers of America (EMA) and the National Energy & Fuels Institute (NEFI), we thank you for your leadership in supporting the National Oilheat Research Alliance (NORA) in the 2014 and 2018 Farm Bills. NORA has led industry efforts to reduce greenhouse gas emissions from home heating oil through deployment of cutting-edge efficiency technologies and by increasing the volume of renewable fuels utilized by these appliances.

Unfortunately, the current version of the Inflation Reduction Act (IRA) will disrupt New York's heating fuels industry and negatively impact state climate change goals, which rely on renewable fuels as the quickest path to achieve needed reductions in residential greenhouse gas emissions. We urge you to support the state's small business heating fuel marketers by making necessary changes to the reconciliation bill to ensure all forms of clean energy can play a role in reducing carbon emissions.

New York law now requires all heating oil sold statewide to contain at least 5-percent biodiesel and expands to 10-percent starting in July 2025. However, the reconciliation bill's proposal to replace the biodiesel blender's tax credit with a new "clean fuels production tax credit" starting in 2025 for renewable transportation fuels only (Section 13704) jeopardizes biofuel infrastructure investments in New York and throughout the Northeast. Even though the recent Senate Finance Committee summary document implies heating fuels are allowed under this provision, we urge that heating fuels be part of the statutory language. This will ensure New Yorkers are eligible to take advantage of the credit because heating fuel uses the same feedstocks as transportation fuels and achieves the section's CO2 emissions reduction's criteria. We also urge you to maintain the new "clean fuels production tax credit" at the blender level.

In addition, the current Senate reconciliation bill includes favorable tax credit treatment for sustainable aviation fuel (SAF) that will disrupt and may eventually eliminate the market for on- and off-road biodiesel and renewable diesel by diverting limited U.S. biofuel feedstocks to SAF. We urge you to ensure tax parity for any new credits awarded for fuels that compete for the same feedstocks.

Finally, we are pleased Section 50121 of the bill that provides a tax credit for high efficiency biofuel-compatible oilheat equipment. Coupled with increased utilization of low carbon fuels, this is the best path to reduce its greenhouse gas emissions in the oilheat sector. Unfortunately, the bill also provides huge subsidies to electric heat pumps including tax credits and new state-administered rebates (Section 50122). These subsidies provide homeowners with credits up to \$8,000 and additional funds to retrofit the electrical system. These funds will go to states where a large amount of the electricity is generated by coal and other fossil fuels. In these states, conversions may have little or no impact on greenhouse gas emissions. If a taxpayer is converting from

renewable liquid heating fuels to heat pumps powered by fossil fuels, they will have largely paid to make the environment less carbon friendly. By including all forms of energy, including high efficiency biofuel-compatible oilheat furnaces and hot water boilers in the reconciliation deal, New York will be able to significantly lower its carbon emissions while safeguarding oilheat consumers and the multi-generational family businesses that serve them.

We appreciate your attention and encourage you to make needed changes to the reconciliation package before it reaches the floor or through the amendment process.

Sincerely,

Empire State Energy Association (ESEA)
Energy Marketers of America (EMA)
National Energy & Fuels Institute (NEFI)
New York State Energy Coalition (NYSEC)