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ILLINOIS ALLIANCE FOR CLEAN TRANSPORTATION

GREENLINE

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POLICY WATCH

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Federal Clean-Fuel Incentives: What's on the Table

Policy Watch follows the federal and state measures that shape the economics of cleaner fuels — the credits, standards, and rules that help determine what a given fuel actually costs a fleet. One worth knowing about this fall is a bill in Congress that has been introduced but not yet passed, which would create a new federal tax credit and speaks directly to a question many fleet operators ask: how the federal tax code treats the fuels they run.

The Renewable Natural Gas Incentive Act (S. 1252 / H.R. 2596) was introduced in 2025 by a bipartisan, bicameral group of lawmakers, led by Rep. Brian Fitzpatrick in the House and Sen. Thom Tillis in the Senate. It would create a $1-per-gallon end-use tax credit for renewable natural gas used as a transportation fuel. Supporters describe it as an end-use incentive meant to complement the 45Z Clean Fuel Production Credit, which rewards fuel producers, and as a potential successor to the federal Alternative Fuel Tax Credit — the per-gallon excise credit that lapsed at the end of 2024.

As of this writing the bill remains in committee, referred to the Senate Finance Committee and the House Ways and Means Committee, and has not advanced to a vote. Industry groups are pressing for action in the post-election session. We note it here not to predict its fate, but because it is one of several federal measures that could change the cost math behind alternative-fuel fleets.

For Illinois fleets, the practical interest is in the cost math. The state already has a meaningful base of natural-gas fleets — refuse haulers, ready-mix and other heavy-vocational operators, and some transit and municipal fleets running compressed or renewable natural gas. An end-use credit like this one, if enacted, would lower the effective per-gallon cost of the fuel for those operators, which in turn affects the payback period on a natural-gas vehicle or a fueling investment. It would not change anything overnight — the bill is not law — but it is the kind of measure that can move the breakeven point a fleet uses when it weighs its options. The same logic cuts across every fuel: whichever tracked credit touches the fuel a fleet actually runs, from biodiesel to electricity, is the one worth watching.

And this measure does not sit alone. Policy Watch is also tracking the implementing rules for the 45Z production credit, the annual Renewable Fuel Standard volume requirements (the RFS and its Renewable Volume Obligations), federal E15 legislation, and — at the state level — Illinois' proposed Clean Transportation Standard. Taken together, they are a reminder that the incentive landscape underneath clean fuels is still very much in motion, at both the federal and state levels.

IACT does not take positions on pending legislation. We track it because these credits and rules feed directly into the economic decisions fleets make when they choose a fuel — and because a shift in any one of them can change the answer. We will keep following them as they develop.