OPPOSITION BRIEF

Proposed Sustainable Aviation Fuel Tax Credit

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EARTHJUSTICE

The proposed tax credit is a bad deal for California and the climate robbing the public of road funds, boosting a fuel that could increase greenhouse gas emissions, and subsidizing refineries enjoying record profits, out-of-state producers, and airlines.

The LAO, California cities and counties, and UC Berkeley experts concur: Reject it.

0	**$1B+**	**Public funds on top of record profits**	**Fuel Shell Game**
Climate Benefit	Annual Cost to the Public	P66 has Q2 windfall	Same Refineries, Same Feedstocks

1. The proposal throws more public money at already subsidized fuel and funnels billions of dollars out of state and to companies enjoying windfall profits.

California's Low Carbon Fuel Standard (LCFS) already provides Sustainable Aviation Fuel (SAF) producers $0.30–$0.50/gallon in revenue, making California one of the most significant SAF markets in the world.[1] This proposal would add $1.16/gal average *on top of* existing subsidies: a 2.9× duplicate, stacked on federal tax credits. **Piling more public dollars on the same fuel is not climate policy.** The result is a massive premium for SAF over renewable diesel (RD), which is made at the same refineries from the same feedstocks.

Phillips 66 is enjoying record profits. It doesn't need more public support. Q2 profits for P66's renewable fuels were over $500 million, after a $41 million Q1 loss.[2] Total Q2 profits reached $3.8 billion.

Four of six facilities equipped to produce SAF are outside California,[3] meaning much of the tax benefit will go to out-of-state producers. California gets the fiscal hit while other states capture most of the economic activity.

2. The total cost to Californians is open-ended — the Governor's estimate is a floor.

The Administration estimates $165M/year in lost diesel excise tax revenue, growing to $300M/year.[4] Independent analysis shows this is a dramatic underestimate. Existing SAF production capacity at RD facilities is already 834 million gallons/year.[5] If that capacity runs at full tilt, the cost exceeds **$1 billion annually**, before a single new gallon is produced.[5] Total diesel excise tax liability statewide is $1.5B.[4] The Administration's estimate is not a cap. It is a floor.

3. The air quality case is overstated, and the tax credit will increase refinery pollution.

Industry claims SAF "benefits local air quality leading to health benefits for vulnerable communities."[6] The evidence does not support this, and the tax credit would harm refinery communities.

Studies show that reductions of NOx—the primary pollutant driving ozone and health impacts near airports—are negligible.[7] **Far more pollution reductions could be achieved for Californians by using these dollars to deploy zero-emission transportation.**

At airports, SAF does not address the primary source of ground-level exposure for workers and neighboring communities: diesel ground support equipment. SAF does nothing for those emissions. Electrifying ground support equipment eliminates pollutants entirely at the ground level.

Producing SAF requires more refinery processing steps than RD—more hydrogen, electricity, and water per unit of output. These facilities emit VOCs, NOx, SOx, CO, and PM.[8] **Subsidizing SAF means subsidizing more polluting refinery operations in communities already bearing a disproportionate industrial burden.**

EARTHJUSTICE RECOMMENDATION

The Legislature should reject this airline and refinery giveaway. California's dollars are better spent on zero-emission vehicle infrastructure, transit, and electrifying airport equipment that directly cleans up the air. California should not drain its road funds to subsidize a fuel that could increase emissions, deforestation, and food prices.

4. There is no climate justification.

This is a fuel shell game with no benefit: SAF and RD are produced at the same refineries from the same feedstocks. When SAF output rises at a refinery, RD production generally falls, and that lost RD is backfilled by fossil diesel or by RD from higher-carbon feedstocks.[4,5]

U.S. EPA recently finalized the federal Renewable Fuel Standard (RFS), mandating an >70% increase in biomass-based diesel.[9] The RD industry will need to operate at 99% production capacity just to meet these mandates.[10] There is no slack in the system. This SAF credit will only pull existing biofuel from trucks and buses toward planes.

Even worse: **SAF derived from crop-based oils is bad for people and the climate**. It can raise the price of food, and increase deforestation and greenhouse gas emissions.[11]

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5. The "plenty of feedstock" and "hard to convert" claims do not hold up.

Proponents cite global lipid supply of 5.9M barrels/day, but their own source explicitly includes palm oil and other **feedstocks not approved under the RFS or LCFS.**[12] Actual eligible supply is far smaller.[13] With increased RD volumes under the RFS, there is no spare waste oil.

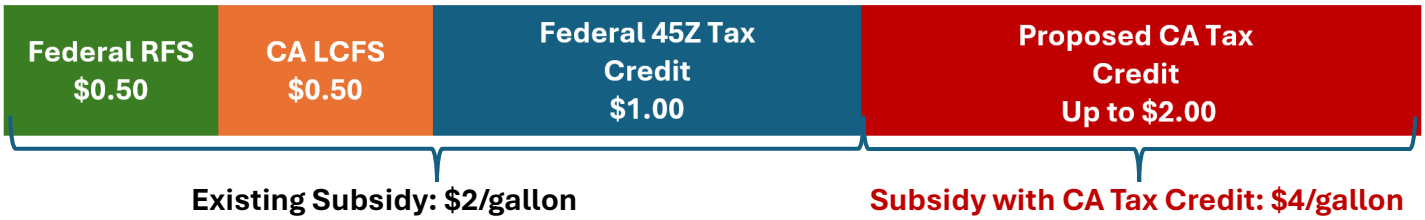
Proponents also claim facility conversion from RD to SAF is expensive. EPA's own analysis directly contradicts this: converting an RD facility to produce SAF costs as little as 1-15¢/gallon.[9] Against a $1-$2/gal tax credit, the economics are overwhelming: Refineries do not need California's help to make the switch.

6. This is an airline and oil company giveaway.

Aviation is ~1% of California's GHG emissions.[1] Yet California is asked to drain road funds that drivers pay into every fill-up. Refiners flush in cash produce SAF, claim the tax credit, and pass a lower price to airlines. **California taxpayers bear the cost.**

SAF is already oversubsidized—the proposed tax credit nearly doubles the existing giveaway.

Cumulative SAF subsidies SAF already receives plus the proposed state tax credit.



Growing Opposition: Earthjustice, LAO, League of California Cities, CA State Association of Counties, Urban Counties of California, Transportation California, California Environmental Voters, World Resources Institute, Sierra Club California, Union of Concerned Scientists, Communities for a Better Environment, Asian Pacific Environment Network, Center for Biological Diversity, Center for Environmental Health, Climate Action Campaign, California Trucking Association, NRDC.

1 Assembly Sub 4 Budget Staff Comments, March 11, 2026 (LCFS $0.30–0.50/gal; this credit avg. $1.16/gal = 2.9× LCFS subsidy).
2 Phillips 66 (Aug. 6, 2026) https://investor.phillips66.com/financial-information/news-releases/news-release-details/2026/Phillips-66-Delivers-Strong-Second-Quarter-Results-and-Operating-Performance/default.aspx.
3 Gerveni, M., T. Hubbs, S. Irwin and S. Ramsey. Farmdoc daily (Univ. of Illinois), "Estimates of SAF Production Capacity at U.S. Renewable Diesel Plants," Jan. 2025.
4 Legislative Analyst's Office, "The 2026-27 Budget: Governor's Sustainable Aviation Fuel Tax Credit Proposal," Feb. 2026.
5 Smith, Aaron et al., "High Costs and Few Benefits from California's Proposed Sustainable Aviation Fuel Tax Credit," Energy Institute Blog, Feb. 23, 2026; *see also* Smith, Aaron. "Did Our Analysis of the Proposed SAF Tax Credit Contain Faulty Assumptions and Facts? In short, No." (April 5, 2026).
6 Sustainable Aviation Advisory Coalition, "Six Faulty Assumptions and Facts about California's Proposed SAF Credit," March 2026, Assumption #4.
7 Gladstein, Neandross & Associates, "SAF: Greenhouse Gas Reductions from Bay Area Commercial Aircraft," prepared for BAAQMD, Oct. 2020.
8 NREL, "SAF State-of-Industry Report," (HEFA Pathway), July 2024.
9 EPA, "RFS 2026–27 Regulatory Impact Analysis," March 2026.
10 Hubbs, T. and S. Irwin, Farmdoc daily. "Rewriting the RFS Playbook: The Impact of No Half-RIN and Higher RVOs on Projected Biomass-Based Diesel Production and Feedstock Use for 2026–2027," Feb. 25, 2026 (projecting domestic BBD capacity utilization approaching ~99% in 2027 under a no-half-RIN scenario; EPA's final rule set volumes higher than those modeled).
11 Berry, S., et al., Biofuels, Deforestation and the GTAP Model (Dec. 2024) https://tobin.yale.edu/sites/default/files/2025-1/Berry%20Searchinger%20Yang%20GTAP%20Paper%20%282024.12.%29.pdf.
12 ABFA/GlobalData Agri, "Lipid Feedstocks Outlook to 2030 & RVO Analysis," July 2025.
13 PA Consulting, "Out of the Fryer," Oct. 2025 (citing Fastmarkets data).