re:chem

Renewable Chemicals and Materials Alliance

April 15, 2015

The Honorable Rob Portman
Co-chair
Working Group on International Tax
338 Russell Senate Office Building
Washington, DC 20510

The Honorable Charles Schumer
Co-chair
Working Group on International Tax
322 Hart Senate Office Building
Washington, DC 20510

Dear Senators and Colleagues Serving on the
U.S. Senate Working Group on International Tax:

In a nation seeking an advanced manufacturing renaissance, the emerging renewable chemical sector holds transformative promise, offering cutting-edge, high-value, sophisticated jobs. The tax debate currently underway will determine whether or not the U.S. captures this manufacturing opportunity, or cedes it to global competitors. A renewable chemical production tax credit can make the difference in that outcome.

Renewable chemical and advanced material products include everything from polymers, textiles, cleaners, containers, fibers and films to materials used in 3-D printing, high-performance nylons, next-generation car composites and innovative building materials. These products compete on value and performance, with double-digit compounded annual growth projected over the next two decades. Moreover, their manufacture creates jobs at every stage along the supply chain – from feedstock to converter, and on to the consumer, revitalizing U.S. assets and infrastructure, and catalyzing cross-sector economic growth. High-paying, family-sustaining career jobs range from those related to feedstock supply, research and development, chemical engineering and molecular biology, to on-site manufacturing and product application. For every one job created in this chemical sector, another five indirect jobs are added, associated with logistics of feedstock and product transportation, as well as downstream creation of finished products.

This is a nascent yet fast-moving sector with enormous growth potential and international allure. Innovative technologies are rapidly commercializing and billions of dollars of capex investment are ready to deploy. The fundamental question is

whether those manufacturing facilities and value chains – and the associated jobs – will take root here and grow, or be lured abroad by competitive tax incentives and other government support.

Other countries have been quick to recognize the potential of the sector and they are rushing to offer incentives to encourage renewable chemical manufacturing abroad, courting companies with direct equity, low or zero interest loans, ten-year tax holidays and abatement, pre-permitted and built-out infrastructure and a range of other incentives. In this competitive global landscape, the U.S. has lagged, and is now significantly disadvantaged in the race to capture the potential of this promising sector.

The Renewable Chemicals and Materials Alliance (re:chem) urges consideration of a renewable chemical production tax credit (PTC) as substantive tax reform discussions begin. The renewable chemical PTC is a modest, pragmatic policy that can directly promote development of manufacturing facilities in the U.S. Designed as simple credit mechanism that would allocate a credit at a rate of 0.15 per pound of eligible output produced; it would be capped at $25 million per taxpayer per year.

Unlike other, far more expensive production tax credits that have been extended for decades, the proposed renewable chemical tax credit would be capped at $500 million for the life of the program and last no longer than five years. It is a precision policy instrument designed to catalyze development, here in the U.S., of an industry that offers multifold benefits. If policymakers do not actively facilitate its development here, through mechanisms like the renewable chemical production tax credit, the sector will most certainly flourish elsewhere.

The global market for renewable chemicals is expected to reach approximately $83.4 billion by 2018. The U.S. can – and should – be a significant player in that market as a producer, not just a consumer. To achieve that goal, we respectfully request that you consider including the renewable chemical production tax credit in any tax reform package that may emerge from these important discussions. Please do not hesitate to contact us for additional information or if you have questions.





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