CCUS Tax Credit Amendments Act of 2021

Senator Tina Smith (D-Minn) and Senator Shelley Moore Capito (R-W.Va.)

Senate Cosponsors: Senator Sheldon Whitehouse (D-R.I.), Senator Kevin Cramer (R-N.D.), Senator Brian Schatz (D-Hawaii), Senator John Hoeven (R-N.D.), Senator Joe Manchin (D-W.Va.), Senator John Barrasso (R-Wyo.), Senator Chris Coons (D-Del.), Senator Chuck Grassley (R-Iowa), Senator Ben Ray Luján (D-N.M.), and Senator Joni Ernst (R-Iowa)

The science is clear. According to the International Energy Agency and Intergovernmental Panel on Climate Change, the greenhouse gas reductions necessary to address the climate crisis will require widespread and rapid deployment of all available technologies, including carbon capture utilization and storage (CCUS).

The *CCUS Tax Credit Amendments Act* makes four targeted statutory changes to maximize the utility of the existing 45Q CCUS tax credit. It also incorporates changes to the 48A tax credit to make the credit useful for CCUS retrofits on qualifying coal plants with best available pollution control technology.

These improvements will ensure that the credits are utilized to their full potential to create manufacturing, construction, and engineering jobs and prevent carbon dioxide emissions. Through increased payments for direct air capture, this legislation will facilitate reduction of carbon dioxide that is already in the atmosphere or that is emitted from hard to decarbonize sources in industrial and other sectors.

1) **Extends "commence construction" by five years.** The credits would be available to projects that begin by the end of 2030.

2) **Allows for direct payment of the carbon capture credits**. This is urgently needed alternative for the majority of project developers who otherwise lack sufficient taxable income to fully utilize the credits. The legislation clarifies that municipal power providers and electric cooperatives are eligible.

3) **Substantially increases support for direct air capture (DAC) of CO2 from the atmosphere.** DAC is a technology with potential for wide scale use and can remove both current and historical carbon dioxide emissions from the atmosphere. It is key to the decarbonization of the heavy industry and manufacturing sectors. Because DAC is an early-stage technology, the current 45Q credit level is insufficient and would by enhanced this legislation. Analysis suggests that increasing the credit for DAC would substantially grow the deployment of the technology and create tens of thousands of high paying jobs. This bill would increase the 45Q credit value for direct air capture projects from $50 to $120 per metric ton for CO2 captured and stored in saline geologic formations and from $35 to $75 per ton for CO2 stored geologically in oil and gas fields.

4) Allows the 45Q credit to offset tax obligations due to the Base Erosion Avoidance Tax (BEAT). This bill will grant the same tax treatment to carbon capture, direct air capture and carbon utilization projects as is currently offered to wind and solar projects

5) **Revises 48A credit to make it work for CCUS retrofits**. Additionally, this bill includes modifications to the 48A tax credit aligned with the recent *Carbon Capture Modernization Act*. This section of the bill updates the thermal efficiency and capture efficiency requirements for advanced coal CCUS projects to make it technically feasible to access these credits.