

Carbon Capture Utilization and Storage Act
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Section 45Q was enacted as part of the Energy Improvement and Extension Act of 2008 and amended by the American Recovery and Reinvestment Act of 2009. 45Q provides a credit for CO₂ sequestration and is available to taxpayers that capture qualified CO₂ at a qualified facility and dispose of the CO₂ in secure geological storage. The credit is equal to: (1) \$20 per metric ton for qualified CO₂ that is captured and disposed of in secure geological storage or (2) \$10 per metric ton for qualified CO₂ that is captured and used as a tertiary injectant in a qualified enhanced oil recovery (EOR) project.

To currently qualify a facility must capture and sequester a minimum of 500,000 tons of qualified CO₂ during the taxable year. The program is capped and expires when 75 million tons have been claimed. Under the current credit framework Carbon Capture Utilization and Storage (CCUS) projects have not been deployed successfully and the credit does not include industrial sources and utilization technologies beyond EOR.

This issue is that CCUS projects remains very expensive to build and the \$10 per ton credit for EOR and \$20 per ton credit for geologic storage continue to be insufficient to stimulate any real financing of CO₂ capture or utilization projects. The IRS last indicated in 2014 that at least 35 million of the authorized 75 million tons have already been claimed by existing industrial CO₂ capture projects, but since then, it is not clear how many more credits have been claimed. In addition, the financial uncertainty created by a cap – whether or not there will be any credits remaining when the facility captures CO₂ – does not provide access to commercial capital necessary to finance CCUS projects.

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The *Carbon Capture Utilization and Storage Act* would reform, enhance, and expand upon the current 45Q tax credit provision. The Act would more fully incorporate utilization – beyond just EOR – and direct air capture as critical components of developing carbon capture projects and technologies that will contribute to greatly reducing CO₂ and CO emissions and creating products of usable value – both in the U.S. and globally. The Act would provide greater certainty for project developers and potential financiers, create more flexibility in credit qualified entities, encourage innovation and development of new projects, and incorporate the Department of Energy's planned large-scale pilot demonstration projects, by:

- Putting in place language for new facilities or equipment to qualify for the credit if they have “commenced construction” within 7-years from the date of enactment;
- Allowing those who qualify to claim the credit for 12-years;
- Increasing the current credit values so that the EOR credit rises to \$35 per metric ton and the secure geologic storage credit rises to \$50 per metric ton;
- Opening up the \$35 per metric ton credit to current and future utilization and direct air capture projects beyond EOR;
- Creating three separate capture threshold tiers for EGU's, non-EGU's, and pilot or early development projects;
- Maintaining the 75 million metric ton cap – and \$20/\$10 per metric ton credit amounts – for projects that are already using the credit or qualify and utilize the credit prior to enactment of this Act; and
- Authorizing transferability of the credit to the entity sequestering the CO₂ or using it in EOR (the credit initially goes to the entity that owns the capture equipment and captures the CO₂ from the facility).

CCUS is a vital component to addressing global climate change through increased carbon reduction – as stated by the EIA, IEA, IPCC, and world leaders from North America to Asia. It is imperative that we invest and continue to enhance existing – and develop new – technologies while also encouraging innovation and utilization if we are to provide a viable path forward for CCUS on a national and global scale.