

April 10, 2018

The Honorable Lamar Alexander  
Committee on Appropriations Subcommittee  
on Energy and Water Development  
United States Senate  
Washington, DC 20510

The Honorable Dianne Feinstein  
Committee on Appropriations Subcommittee  
on Energy and Water Development  
United States Senate  
Washington, DC 20510

Dear Chairman Alexander and Ranking Member Feinstein:

As diverse companies, unions and environmental, energy and agricultural organizations working together to advance carbon capture deployment, we thank you for significant funding of the U.S. Department of Energy's (DOE) Office of Fossil Energy in the recently enacted FY 2018 Omnibus. The U.S. has been a global leader on carbon capture, and there is bipartisan consensus on the benefits of capturing and utilizing carbon dioxide (CO<sub>2</sub>). This technology represents a genuine win-win for our nation's economy and environment, one that will bring high-paying jobs and investment to energy-producing and industrial states and regions of our country.

Earlier this year, Congress made a critical first step in catalyzing a carbon capture, utilization and storage (CCUS) industry in the U.S. through the enactment of the FUTURE Act to extend and expand the Section 45Q tax credits for CO<sub>2</sub> storage and beneficial use. These credits will incentivize the implementation of carbon capture across industries and encourage the creation of new utilization markets for CO<sub>2</sub> and its precursor carbon monoxide. However, today's technology remains relatively expensive to implement in some industries like the power sector, and improved carbon capture technologies will be needed to reduce costs.

As we have seen with the success of wind and solar, carbon capture will need a combination of both federal incentives such as tax credits and federal funding for research, development and demonstration to become cost-competitive with other low and zero-emission technologies. Federal support must play a key role in helping the private sector to commercialize carbon capture technologies. It is well established that there are long lead times for advancing energy technologies from concept to demonstration to commercialization, and carbon capture is capital intensive, which increases financial risk and makes it difficult without federal support to attract sufficient private investment for scaling up these technologies in the marketplace.

Therefore, we respectfully request that DOE Fossil Energy's CCUS program remain robustly funded for FY 2019 and that federal funding support not only basic research, but also readying technologies for development and testing at lab, pilot and demonstration scales. We also raise three points for further consideration.

First, we strongly support the focus on large-scale transformational pilot carbon capture projects and are pleased to see that Congress appropriated an additional \$35 million for this program in FY 2018. The transformational technologies under development and moving forward with this funding represent an entirely new way to convert energy that will enable a step-change in performance, efficiency, and cost of electricity as compared to today's state-of-the-art technologies. We hope the large-scale transformational pilot program will receive the funding necessary to advance these technologies in a final FY 2019 bill.

Second, loan guarantees can become an important tool to finance carbon capture projects. Key reforms to the program could make it more effective, including lowering the overall level of fees, clarifying the calculation of credit subsidy fees, and lifting restrictions on loan guarantees for projects receiving federal grants. We recommend that the Loan Program Office be preserved in the final FY 2019 bill and that Congress take a closer look at improving the program's effectiveness, particularly for carbon capture projects. We support

responsible fiscal management and emphasize that, from a budgetary perspective, the Loan Program Office program pays for itself through application fees.

Third, we support the language included in the FY 2018 omnibus directing DOE to develop a cohesive strategy and supporting roadmap or long-term plan for the Fossil Energy Research and Development portfolio, including for the CCUS efforts under development in the program. We look forward to engaging in that exercise with DOE.

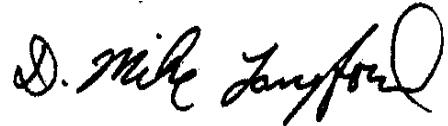
We respectfully urge you to continue to robustly fund carbon capture in the FY 2019 budget. We stand ready work with you and the DOE, and to provide any additional information you might need.

Thank you for your consideration of our requests.

Sincerely,



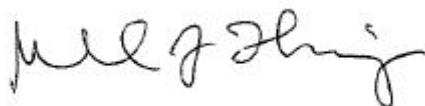
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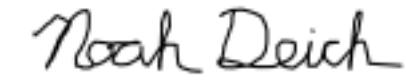


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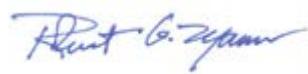
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