



CARBON CAPTURE COALITION

June 3, 2019

The Honorable Chuck Grassley
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Chairman Grassley and Ranking Member Wyden,

On behalf of more than 60 companies, unions and environmental, energy and agricultural organizations that make up the Carbon Capture Coalition (see attached participant list), we thank you for enacting the FUTURE Act as part of the Bipartisan Budget Act of 2018. The legislation expanded and reformed the Section 45Q tax credit for carbon capture, utilization, removal and storage, and its enactment was a direct result of broad bipartisan support that the tax credit continues to receive today.

Coalition participants continue to work together to advance economywide deployment of carbon capture, utilization, removal and storage technologies, all of which will benefit from the Section 45Q tax credits. As you consider tax legislation this Congress, we write to share our concerns regarding delays by the U.S. Treasury in issuing guidance for 45Q and to outline some additional policy options for your consideration that can enhance and build on the 45Q incentive.

Notwithstanding overwhelming Congressional support and the passage of 16 months since enactment of the FUTURE Act, the U.S. Treasury Department has not taken any formal steps to issue interim guidance on 45Q, other than to release a Request for Information seeking public comment. Given delays to date, it could be another year until the necessary guidelines are in place for commercial projects that are critical to the future of carbon capture technology innovation and deployment in multiple industries, as well as to continued U.S. global leadership in this sector. Meanwhile, hundreds of millions and perhaps billions of dollars in private capital remain on the sidelines as project developers and investors await the necessary clarity and certainty from Treasury to proceed with projects during the very short commence construction timeline, which ends in 2023. We urge you to request that Treasury commit additional staff to expedite review of public comments that are received and completion of interim guidance prior to a final rule.

In addition, the Coalition is exploring technical fixes and new policy options to enhance and complement 45Q in incentivizing private investment in the deployment of carbon capture technologies. The technical fixes identified below offer many potential near-term deployment benefits to the carbon capture industry:

- Eliminating the 25,000-ton minimum annual capture threshold in 45Q that inadvertently risks precluding most carbon utilization projects from eligibility;
- Preventing the disallowance of 45Q and 48A under the Base Erosion and Anti-Abuse Tax-BEAT (a technical fix already afforded investors claiming the Production Tax Credit for wind energy and the Investment Tax Credit for solar energy), which otherwise risks reducing the pool of available investors in carbon capture projects; and
- Enabling developers of power plant carbon capture retrofit projects to access available 48A tax credits by incorporating needed technical fixes provided for in the Carbon Capture Modernization Act (S. 407). The legislation would address a conflict in current law that makes the tax credit unworkable for potentially eligible projects.

The Coalition has also identified several new policy options for the Committee's consideration as the carbon capture industry works to achieve economywide deployment:

- Providing additional flexibility to the existing transfer provision in the 45Q statute by including additional taxpayers who are involved in the carbon capture transaction to be allowable as transferees (modeled on the transfer provision in Section 45J(e) of the Advanced Nuclear Tax Credit);
- Establishing a revenue-neutral refundable option for 45Q to enable a greater diversity of companies and business models to benefit from the tax credit; and
- Creating an "American Energy Bond" option to allow project developers to make interest payments in the form of tax credits, if they invest bond proceeds in qualified energy infrastructure projects, including carbon capture and utilization.

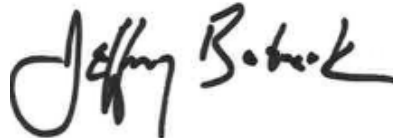
We ask that you take the necessary steps to encourage Treasury to finalize guidance in a timely fashion to meet the technology innovation and deployment objectives intended by Congress. In addition, we would welcome further discussion with your staff regarding the additional policy mechanisms that the Coalition is exploring.

Thank you for your consideration of this request. We stand ready to provide any further information you might require.

Sincerely,



Brad Crabtree
Co-Director, Carbon Capture Coalition
Great Plains Institute



Jeffrey Bobeck
Co-Director, Carbon Capture Coalition
Center for Climate and Energy Solutions



CARBON CAPTURE COALITION

Participants

AFL-CIO
Air Liquide
Air Products
AK Steel
American Carbon Registry
ArcelorMittal
Arch Coal
Archer Daniels Midland Co.
Baker Hughes, a GE Company
BPC Action
Carbon180
Carbon Wrangler LLC
Clean Air Task Force
ClearPath Foundation
Cloud Peak Energy
Conestoga Energy Partners
Core Energy LLC
EBR Development LLC
EnergyBlue Project
Energy Innovation Reform Project
Glenrock Petroleum
Great River Energy
Greene Street Capital
Impact Natural Resources LLC
ION Engineering LLC
International Brotherhood of
Boilermakers
International Brotherhood of
Electrical Workers
Jackson Hole Center for Global
Affairs
Jupiter Oxygen Corporation
Lake Charles Methanol
LanzaTech
Linde LLC

Mitsubishi Heavy Industries
America, Inc.
National Audubon Society
National Farmers Union
National Wildlife Federation
NET Power
New Steel International, Inc.
NRG Energy
Occidental Petroleum Corporation
Peabody Energy
Prairie State Generating Company
Praxair, Inc.
Renewable Fuels Association
Shell
SMART Transportation Division
(of the Sheet Metal, Air, Rail and
Transportation Workers)
Summit Power Group
Tenaska Energy
The Nature Conservancy
Third Way
Thunderbolt Clean Energy LLC
United Mine Workers of America
United Steel Workers
Utility Workers Union of America
White Energy
Wyoming Outdoor Council

Observers

Algae Biomass Organization
Carbon Engineering
Carbon Utilization Research Council
Cornerpost CO2 LLC
Enhanced Oil Recovery Institute,
University of Wyoming
Institute of Clean Air Companies
Melzer Consulting
Tellus Operating Group
World Resources Institute