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July XX, 2021

The Honorable Charles Schumer
U.S. Senate Majority Leader
S-221, The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
H-232, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
U.S. Senate Minority Leader
S-230, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
House Minority Leader
H-204, The Capitol
Washington, D.C. 20515

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Pelosi and Minority Leader McCarthy:

On behalf of the undersigned, thank you for your continued commitment to expand and accelerate carbon capture deployment to reduce emissions, create and retain highly-skilled jobs that pay above prevailing wages and spur investment in domestic energy, industry and manufacturing. As you consider legislative proposals to strengthen our nation's infrastructure, combat climate change and recover from the COVID-19 pandemic, **we urge you to prioritize a targeted suite of carbon management policies as an essential component of any forthcoming legislative package.**

In the wake of the COVID-19 pandemic, we have the opportunity to rebuild and retool America's domestic energy, industrial and manufacturing sectors in ways that put our economy on track to reach net-zero emissions by midcentury. Carbon management must be central to achieving emissions reduction goals, while preserving and creating middle class jobs that pay family-sustaining wages, providing environmental and other benefits to communities, and supporting regional economies across our country. Specifically, **we request that you include in any moving legislative package key policy elements described below, which are featured in strongly supported, broadly bipartisan legislation** and critically important to realizing economywide deployment of carbon capture, removal, transport, utilization and storage:

- **Providing a direct pay option for the federal Section 45Q tax credit:** The 45Q tax credit is the cornerstone federal policy for enabling economywide deployment of carbon management technologies, and a direct pay option is crucial to realizing the full emissions reduction and job creation benefits of the credit. Direct pay would address the current significant loss of tax credit value to burdensome, costly and inefficient tax equity transactions, creating an urgently needed alternative for most project developers, who otherwise lack sufficient taxable income to fully utilize the credits, or who are exempt from federal tax liability altogether. The full value of federally funded tax credits should go directly to investments in technology innovation, emissions reductions and job creation, not to financial and legal third parties. The bipartisan Carbon Capture, Utilization and Storage Tax Credits Amendment Act (S. 986) and the Accelerating Carbon Capture and Extending Secure Storage (ACCESS) through 45Q Act (H.R. 1062) both provide a direct pay option for 45Q with no discount; S. 986 is cosponsored by one-fifth of the U.S. Senate.
- **Extending the commence construction window for the 45Q credit:** Extending the commence construction window to qualify for 45Q by an additional ten years, to the end of 2035, would establish a critically needed investment horizon to give carbon management projects the time required to scale up between now and midcentury. While federal tax credits were first established for wind and solar energy in 1992 and 2005, respectively, the current 45Q tax credit has only been in place since 2018. Carbon capture, direct air capture, and carbon utilization technologies deserve a comparable timeframe to benefit from the availability of this crucial federal 45Q incentive. In addition to implementing direct pay, bipartisan bills S. 986 and H.R. 1062 extend 45Q to provide the urgently needed timeframe and certainty for project planning, engineering, permitting and financing.
- **Enhancing 45Q credit values for industrial and power plant carbon capture and direct air capture:** Modeling by the Intergovernmental Panel on Climate Change and the International Energy Agency make clear that economywide

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deployment of carbon capture and direct air capture is vital to meeting midcentury climate goals. However, recent analyses and commercial experience underscore that current 45Q credit values are insufficient to drive the early deployment needed in industry, electric power generation and direct air capture to bring costs down and reduce commercial risk, so that these technologies can scale. Given the urgency of tackling climate change, the need to safeguard domestic production and high-wage, blue collar jobs as key energy, industrial and manufacturing sectors decarbonize, and the opportunity to maintain U.S. technology leadership in this arena, Congress should increase current 45Q credit values for industrial and power generation projects to \$85 per metric ton for CO₂ captured and stored in saline geologic formations, \$60 per ton for storage in oil and gas fields and \$60 per ton for captured CO₂ and its precursor carbon monoxide used to produce low and zero-carbon fuels, chemicals, building materials and other products. For direct air capture projects, credit values should rise to \$180 and \$130 per ton, respectively. The bipartisan Coordinated Action to Capture Harmful Emissions (CATCH) Act (S.2230/H.R.3538) increases 45Q credit values for industrial and power plant carbon capture and carbon utilization projects to foster deployment at levels required to help put American industry on a path to net-zero emissions by 2050.

- **Eliminating annual carbon capture thresholds:** Current thresholds in the 45Q program are arbitrary, serve no policy purpose and reduce the overall technology innovation and emissions reduction potential of the incentive. Based on 2019 U.S. Environmental Protection Agency (EPA) data, approximately 54 percent of power plants and 75 percent of industrial facilities fall below eligibility thresholds, and many direct air capture and carbon utilization projects deploying emerging technologies simply lack the scale to meet these requirements. The above-mentioned bipartisan CATCH Act would eliminate thresholds under 45Q to foster greater carbon capture, direct air capture and carbon utilization project development, technology innovation and cost reductions across sectors, as we work to meet net-zero emissions targets.
- **Financing the buildout of regional CO₂ transport and storage networks:** Robust infrastructure to safely transport and store captured CO₂ in secure saline geologic formations is a key pillar of any broader strategy to achieve net-zero emissions economywide, while preserving existing jobs and creating new, highly-skilled jobs in energy and industrial sectors that consistently pay above prevailing wages. The bipartisan Storing CO₂ and Lowering Emissions (SCALE) Act (S.799/H.R.1992), introduced in March, would enable deployment of the essential backbone CO₂ transport and storage infrastructure needed. Federal low-interest loans and grants authorized by the SCALE Act will leverage private capital to finance the buildout of shared CO₂ transport infrastructure networks and saline geologic storage hubs to achieve economies of scale and reduce overall system costs. In addition, the legislation provides cost share to develop large-scale commercial saline geologic storage sites, as well as increased funding for the Environmental Protection Agency (EPA) to support federal and state permitting of such storage projects. This widely supported legislation has been included in the Energy Infrastructure Act, which was reported favorably out of the Senate Energy and Natural Resource Committee on a bipartisan basis on July 14.
- **Robust funding for commercial scale carbon capture pilot projects and demonstration programs:** Carbon capture technologies have suffered a significant lack of federal investment compared to historic levels of support for other clean energy technologies. Within the 2020 Energy Act, Congress reauthorized, expanded and updated the DOE Office of Fossil Energy and Carbon Management's activities to include historic funding levels for technology demonstrations in industry, power generation and direct air capture. Providing appropriations at the authorized levels will ensure that the carbon management industry can scale over the next decade to meet net-zero emissions targets; particularly crucial is providing funding for large-scale commercial demonstrations in a variety of industries. Large-scale pilot and demonstration projects are key to achieving our emissions reduction objectives and to driving near-term jobs creation and economic activity, while spurring additional project development. Federal cost share for demonstration projects can range from \$150 million to well over \$200 million per project, depending on the industry sector and other factors. Therefore, to see significant deployment of carbon capture and direct air capture projects, reaching the authorized levels for demonstrations in the 2020 Energy Act is crucial. The bipartisan Energy Infrastructure Act recently reported out of the Senate Energy and Natural Resources Committee incorporates these funding priorities and for the first time establishes regional direct air capture and hydrogen hubs to help establish

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domestic supply chains and drive down costs. Together, the inclusion of these elements into any broader package would make a critical down payment on the investments in American innovation required to achieve net-zero emissions.

The groundbreaking provisions to scale deployment of carbon capture, removal, utilization and associated CO₂ transport and storage infrastructure outlined in this letter and included in bipartisan bills before Congress are essential to placing America's energy, industrial and manufacturing sectors on track to reach net-zero emissions by 2050. In fact, this package could deliver a 13-fold scale-up of carbon management capacity by 2035—up from 12 operating facilities and over 40 projects under development today. Additionally, the range of estimated reductions annually by 2035 that would result from enactment of this package is roughly 210-250 million metric tons. Analyses by the Rhodium Group reveal the potential to create tens of thousands and hundreds of thousands of high-wage jobs and generate hundreds of billions in investment from carbon capture and direct air capture deployment, respectively, if these technologies are deployed at levels needed to meet net-zero targets. At the same time, Congress will be ensuring the long-term viability of vital industries that safeguard millions of existing middle-class jobs, which represent the lifeblood of American workers, their families and communities, and regional economies.

We look forward to working with you on a bipartisan basis to advance the policy priorities outlined in this letter, whether in the forthcoming infrastructure package or other moving legislative vehicles this Congress. Should you have any questions about the outlined provisions noted in this letter please contact Madelyn Morrison, External Affairs Manager, Carbon Capture Coalition at mmorrison@carboncapturecoalition.org.

Sincerely,

[List companies, unions, NGOs and other organizations below.]