FACT SHEET

CARBON CAPTURE COALITION

The One Big Beautiful Bill Act of 2025

The One Big Beautiful Bill Act (OBBBA) of 2025 (H.R.1), which Congress passed and sent to President Trump's desk for signature on July 3, 2025, preserves the utility of the federal Section 45Q tax credit, including essential enhancements made to the tax credit in 2022. In addition, OBBBA includes modifications and restrictions to the credit that will impact taxpayers electing 45Q.

MODIFICATIONS TO THE FEDERAL SECTION 45Q TAX CREDIT

Increased Credit Values for Utilization Projects

Historically, the 45Q tax credit has provided differentiated credit levels for carbon management projects depending on the end-use of the captured carbon dioxide (CO_2) or carbon monoxide (CO) (See table below). The OBBBA modified the structure of the credit. Going forward, 45Q provides one credit value for projects capturing CO_2 from industrial and power facilities ($85 per metric ton) and one value for direct air capture (DAC) projects ($180 per metric ton), regardless of the end-use of the captured carbon oxides.

The modified credit values for carbon reuse and enhanced oil recovery projects are available for projects placed in service following the law's enactment. These updated values close the cost gap, particularly for the nascent carbon reuse sector, where projects use captured carbon oxides as a feedstock to manufacture low- and zero-carbon products. These modifications also allow additional flexibility to project developers..

Previously operating projects will continue to receive credit for their project relative to when operations began.

CO_2 End-Use	Credit Values Under the 2018 FUTURE Act	Credit Values Under the Inflation Reduction Act	Credit Values Under the One Big Beautiful Bill Act
For dedicated secure geologic storage of CO_2 in **saline or other, geologic formations**	**$50/metric ton** for CO_2 captured from industry, power, and direct air capture	**$85/metric ton** for CO_2 captured from industry & power; **$180/metric ton** for direct air capture	**$85/metric ton** for CO_2 captured from industry & power; **$180/metric ton** for direct air capture
For **carbon reuse projects** to convert carbon into useful products (e.g., fuels, chemicals, products)	**$35/metric ton** for CO_2 captured from industry, power, and direct air capture	**$60/metric ton** for CO_2 captured from industry & power; **$130/metric ton** for direct air capture	**$85/metric ton** for CO_2 captured from industry & power; **$180/metric ton** for direct air capture
For secure geologic storage of CO_2 in **oil and gas fields**	**$35/metric ton** for CO_2 captured from industry, power, and direct air capture	**$60/metric ton** for CO_2 captured from industry & power; **$130/metric ton** for direct air capture	**$85/metric ton** for CO_2 captured from industry & power; **$180/metric ton** for direct air capture

Restrictions Regarding Foreign Entities of Concern (FEOC)

The OBBBA imposes new restrictions on clean energy tax credits relative to Foreign Entities of Concern (FEOC) for taxable years beginning January 1, 2026. The limitations specific to the 45Q tax credit prevent any entity deemed controlled or influenced by a covered nation, i.e., a 'specified foreign entity' defined as China, Iran, North Korea, and Russia, from claiming the credit. In addition, the law prohibits any taxpayer determined to be a 'foreign-influenced entity', which includes specific thresholds for partial ownership by specified foreign entities, including ownership of debt, from claiming the 45Q tax credit.

Specified Foreign Entity

- Designated as a foreign terrorist organization, included on the OFAC lists, alleged to have been involved in espionage activities, or determined to have been engaged in conduct detrimental to US national security or foreign policy.
- An entity listed on the 1260H Chinese military company list.
- An entity listed in reporting required under the Uyghur Forced Labor Prevention Act that benefits from forced labor.
- An entity owned by certain battery companies (or a successor) listed in the Fiscal Year 2024 National Defense Authorization Act legislation (e.g., CATL, BYD, Gotion, Envision Energy, Hithium).
- An entity organized in, or having their principal place of business in, a covered nation.
- A foreign controlled entity of a covered nation (i.e., an entity (or subsidiary entity) controlled at least 50 percent by the government, a citizen, or resident of a covered nation or an entity or qualified business unit organized in, or having a principal place of business in, a covered nation).

Foreign-Influenced Entity

A Foreign-Influenced Entity meets one of the following criteria:

- A specified foreign entity has direct or indirect authority to appoint a covered officer of the entity.
- A single specified foreign entity owns at least 25 percent of the entity.
- One or more specified foreign entities own, in the aggregate, at least 40 percent of the entity.
- At least 15 percent of the debt of such entity is held in the aggregate by one or more specified foreign entities.

OR

- During the previous taxable year, made a payment to a specified foreign entity pursuant to a contract, agreement, or other arrangement which entitles such specified foreign entity (or an entity related to such specified foreign entity) to exercise effective control over.
  - » Any qualified facility or energy storage technology of the taxpayer (or anyone related to the taxpayer), or,
  - » With respect to any eligible component produced by the taxpayer (or anyone related to the taxpayer):
    - the extraction, processing, or recycling of any applicable critical mineral, or,
    - the production of an eligible component which is not an applicable critical mineral.

The new Foreign Entities of Concern restrictions are complex and not yet fully understood. The US Department of the Treasury and the Internal Revenue Service will need to provide detailed guidance for taxpayers to understand the full impact of the FEOC rules on clean energy markets and subsequent technology deployment.

As demonstrated through recent reforms to the 45Q tax credit, including the OBBBA, Congress continues to reinforce carbon management's role in enhancing domestic energy and industrial production, reducing emissions, and protecting and creating high-wage jobs. Thanks to this sustained support, the federal Section 45Q tax credit remains a strong, predictable market signal essential to deploying carbon management technologies across the American economy and maintaining our global leadership position in demonstrating and deploying these technologies.