



CARBON CAPTURE COALITION

2025 Federal Policy Blueprint

Notes from In-Person Drafting Session

October 7, 2024

Washington, D.C.

Summary:

On October 7, the Coalition's Policy Blueprint Work Group (WG) convened in Washington, DC to discuss key proposals and priorities for inclusion in the Coalition's 2025 Policy Blueprint. Coalition Executive Director Jessie Stolark began by commenting on larger forces shaping Coalition priorities to achieve commercial liftoff of the full suite of carbon management technologies: **1) the growing deployment gap between climate ambition and announced carbon management projects and 2) countries around the world stepping up their ambition and policy frameworks for carbon management deployment.** She emphasized the need for a Policy Blueprint that outlines a long-term, ambitious set of domestic policies needed to address these realities. **The Coalition's short-term goals for the next Congress will be articulated in a separate Blueprint Summary for Policymakers.** Staff then outlined how communities, environmental justice concerns, and jobs and economic benefits will be woven into the Blueprint's language throughout, as opposed to a stand-alone section.

The 2023 Blueprint contained a lot of background information; **it will be separated out of the 2025 version into shorter, separate messaging documents on different "evergreen" topics.** These will be posted on our website and available for your use.

Next, Coalition members discussed new policy ideas pertinent to specific focus areas, with key topics building off prior consensus positions, including:

- **Ensuring Investment Certainty:** Indexing 45Q tax credit for inflation and identifying the most valuable changes needed to 45Q (i.e. longer 45Q tax credit windows, operations and maintenance credits, and extending direct pay).
- **Demand-Side Policies:** Expanding federal procurement of CDR and other goods from carbon management; the role of trade mechanisms.
- **Transportation & Storage Infrastructure:** The need for improved permitting of transport and storage, improving Class VI regulations, and unlocking CIFIA funding.

- **Next-Generation Technology Deployment:** Protecting and building annual appropriations for carbon management technologies; the role of contracts for differences in closing the cost gap for deployment; and identifying areas of additional need in a future Energy Act.

Within these broad discussion areas, Coalition staff heard consensus on the following topics discussed at the meeting:

- **45Q Adjustments:** Extending the 45Q pay window, allowing direct pay for the full credit lifetime, and creating an O&M tax credit.
- **Transportation/Storage Infrastructure:** Push for PHMSA reauthorization and re-visit Class VI regulations for storage (aquifer exemptions as well as other potential topics).
- **Next Generation Technology:**
 - Develop a program at DOE to support technical assistance on LCAs for carbon reuse processes.
 - Strong appropriations for DOE carbon management programs.
 - Additional FECM/OCED funding to support DOE staffing and program implementation.

Topics requiring additional discussion with WG members include:

- **Contracts for Differences:** Explore industrial contracts for difference, possibly as a DOE pilot program.
- **CIFIA Funding:** Ensure CIFIA funding is defended and continue discussing a proposal for bipartisan support to make the program more attractive to project developers.
- **Carbon Border Adjustment:** Evaluate support for the Carbon Border Adjustment Mechanism (CBAM) and what level of incentive it provides to technology deployment.

Coalition staff and WG members will share a final outline of the 2025 Policy Blueprint at the December 3 Annual Meeting for feedback and sign-off for release in early 2025.

Working Timeline & Next Steps:

- **10/31:** Communications WG discussion on communications toolkit for the 2025 Blueprint launch.
- **11/1:** Share final draft Blueprint Outline with WG for review.
- **11/12:** Optional WG meeting to further discuss CIFIA, Contracts for Difference, and Carbon Border Adjustment Mechanisms.
- **11/13:** Feedback on outline from WG members due to Coalition staff.
- **11/22:** Share Blueprint outline and annual meeting materials with full Coalition.
- **12/3:** Coalition staff and WG members will share a consensus-based, final outline of the 2025 Policy Blueprint at the December 3 Annual Meeting for feedback and sign-off from the full Coalition. **If you are interested in participating in this discussion during the annual meeting and representing the WG, please reach out to Christian Flinn.**
- **Week of 12/15:** Share draft language of the 2025 Policy Blueprint with WG members.
- **1/10/25:** Feedback on draft language due to Coalition staff.
- **1/20/25:** Share Blueprint text with full Coalition.

- **1/29/25:** Final sign-off due from members.
- **Week of 02/16:** Publication press event and final publication to Coalition website.

N.B.: The final publication timeline is subject to change based on the design process, which is in progress, but we are aiming for a mid-February release.

Meeting Notes:

Level-Setting:

- Coalition staff talked through the Blueprint process and the purpose of the meeting: to do a deeper dive into individual policy submission ideas from WG members and see which additional topics we can find consensus on within the WG.
- Staff walked WG members through existing consensus positions (which are articulated in both the [2025 Blueprint Outline](#) and 2023 [Policy Blueprint](#) positions documents)
- After staff presentations, WG members broke into smaller groups to discuss the 2025 Policy Blueprint and key themes, messages, and additional topics:
 - Current policy framework insufficient for scaling tech; acknowledge that while also defending 45Q on Hill.
 - There is an ebb and flow to carbon management; seeing an ebb moment.
 - Need to weave in US competitiveness into our messaging (RE: China)
 - Communities need to see the benefits of projects
 - Further air quality research on co-pollutant reduction
 - Q: Is our threshold for ideas based on what can reasonably pass next Congress, or do we want to focus on stuff that's more long-term? BIL and IRA provisions developed over several years, took a little while to arrive.
 - A: Blueprint is a long-term framework, ambitious and comprehensive. Have specific and concrete policy asks in Summary for Policymakers, but Blueprint allows us more flexibility.

Policy Proposal Presentations:

Ensuring Investment Certainty

During the Ensuring Investment Certainty discussion, Coalition staff updated members on new Coalition consensus positions, including inflation indexing for 45Q and enactment of the [CCU Parity Act](#). On inflation indexing, Coalition staff have been making this our top tax priority this fall with the goal of seeing a marker bill, with 2021 as the base year for indexing as that is when the bipartisan marker bill was introduced that increased the credit levels (CATCH Act S.2230/H.R. 3538). Coalition members then discussed a number of additional, different levers to close the cost gap between the costs of project deployment and the current value of the tax credit, recognizing that increasing the credit values themselves is unlikely to gain support in the near-term. The Coalition will be conducting an analysis of

potential changes to 45Q before the end of 2024 on what material impact different changes would have on project development, including:

- **Extend pay window from 12 to 20 years**
 - Helps economics up front and incentivizes project deployment, particularly in higher-cost sectors
- **Direct pay for the full lifetime of 45Q** (currently 5 years for for-profit developers)
- **Create O&M tax credit; kicks in after 45Q expires**
 - Q: Is this still a priority if we were to see a longer payment window?
 - A: Likely that longer payment window is more valuable; need more data
- **45Q: allow direct pay for 5 full years regardless of when equipment put in service**
 - Congress intended for this, it seems, but it was not included in the final guidance
 - Coalition requested direct pay guidance; inclusion in Blueprint would be in line with that.
- **Community incentives: Landowner and community incentives program for CCUS projects** (no consensus)
 - Member proposal: provide incentive program to communities and landowners not tied to developers; provide direct project benefit
- **CfDs: Industrial innovation contracts for differences** (needs additional discussion)
 - Member proposal: provide contracts for differences for project deployment in industrial sectors, including steel and cement; programs out of the money with the current incentive structure.
 - WG was interested, but there are questions around the political viability of CfDs, the costs of implementing such a program, and how the program would be implemented.
 - It was suggested that this topic, if included, should be moved to the Next Generation Technology Deployment section. Additionally, some participants raised the idea of this being a DOE pilot program.

Next-Generation Technology Development

Discussion of Next-Generation Technology Development opened with a discussion around both appropriations priorities and ensuring that DOE has the resources to carry out basic RD&D programs and implement the monies from the BIL. Members then transitioned to a broader discussion of potential additional priorities for the next Energy Act; a particular focus was on the industrial sector. Member proposed topics included 1) LCA Assistance, 2) Additional CapEx support for Industrial Demos, 3) Additional FECM/OCED funding for implementing the BIL, and 4) DOE Demonstrations for Next Gen Pipelines.

- **LCA Assistance** (has consensus)
 - Issue with 45Q utilization: 2021 guidance requires preapproval of LCA for carbon conversion process.

- Establish a new program at DOE to build upon existing programs to get technical expertise and grant support to help develop LCAs.
- Currently have to essentially manufacture product before you can get DOE approval; projects don't work that way, need incentive at the forefront.
 - C: DOE is hiding behind the IRS; IRS is saying there is no preapproval process. They're misinterpreting 45Q.
 - C: Proposal not substitution for removing preapproval
 - C: Really about setting carbon intensity for products on displacement. Not taking industry advice on carbon intensity of any particular product. DOE should be doing this more transparently and subject to proposal and comment from stakeholders so industry can come back and talk about appropriate carbon intensity for any given product.
- **Additional CapEx support for Industrial Demonstrations**
 - Some industrial actors can fund large demonstrations, but it's only an option for larger companies. As more and more new technologies are developed with lower opex and capex, it is important to get those in the market.
 - Q: Have we figured out the magnitude of the ask yet?
 - A: Haven't put a number on it yet but at least what was in BIL, would be easy to put a number on it
 - Probably can't pick and choose industries in the Blueprint but can talk about overall industrial funding
- **Additional FECM/OCED funding to support staffing for BIL Implementation**
 - Proposal to support DOE's request to Congress for FY2025 funding increases; would ensure offices are sufficiently staffed to be able to implement programs. Funding for DOE has increased by 19%, but funding increases they're supposed to allocate have increased by over 500%. Nearly 10 billion has been earmarked, but only about 300 million has actually been dispersed.
 - Not necessarily permanent staff members, 1-3 year contracts. Adds support.
 - Fiscally conservative lawmakers may oppose it. Instead of a new appropriated line item, suggest doing it similar to FY24: plussed up IIJA funding directed at DOE (OCED specifically). An additional 1% would fill this need; the cost would be \$86 million.
 - Q: This is basically just an approps ask?
 - A: Would be an adjustment of the existing percentage
 - C: That would mean less funding for projects. Doesn't make sense to remove money from projects.
 - C: Appropriations request didn't add to topline.
 - C: To be specific, not full FECM or OCED budget. Specifically, the section of that money is for program direction. That's the part we're asking for. The problem is money isn't getting out the door fast enough.
 - High turnover rate at DOE.

- Need high level of technical knowledge. Tour of duty concept can allow more senior people to cycle into these roles.
 - Coalition recommendation: include high-level language in the Blueprint about the need for staffing to get BIL funding out the door, we can continue working with members on what mechanism we want to see to accomplish this.
- **DOE Demonstrations for Next-Gen Pipelines**
 - Establish DOE led demonstration initiative into a cross-agency RD&D program. To date FECM has spearheaded RD&D efforts, DOE led initiatives would support deployment.
 - Demos and cross agency coordination would reduce cost of innovative pipeline technologies. Would benefit project developers and operators.
 - [Next Gen Pipelines Development Act](#): Bipartisan Congressional Support, passed house just waiting on Senate companion.
 - C: Money for this bill pulled from some other important programs, something to flag. If there's a way we could get this benefit without pulling from existing programs would be easier to be on board. Pulls from EERE and baseline FECM funding.
 - Has been attempt on Hill to cut back on CIFIA funding and LPO due to lack of applications. How would this interplay with existing mechanisms?
 - Q: Does this include projects for leak and damage mitigation?
 - A: Open ended in terms of how agencies apply this
 - Q: Are you looking for Coalition endorsement of the bill or just endorsement of individual positions?
 - Defer to Coalition's judgement. If there's room to call out specific legislation would make sense, but can keep it broad.
 - Coalition recommendation: Call out specific pieces of the next-gen pipelines bill in the Blueprint but don't specifically reference; state need for RDD&D.

Demand-Side Policies

During the Demand-Side Policies discussion, members heard proposals around supporting the PROVE It Act, Carbon Border Adjustment Mechanisms (CBAM), government procurement, and CIFIA. As far as the PROVE It Act, members were generally supportive of the Act, which calls for a study into carbon intensity of products produced in the US vs abroad. CBAM saw a lot more discussion because of different political approaches to enacting these mechanisms. The discussion around procurement included an overview of the [CREST Act](#) and how it structures procurement as awards or "prizes" and how that could translate to more Republican support for procurement actions. Finally, the CIFIA discussion included a proposal to petition Congress for a legislative change to CIFIA as it relates to NEPA requirements, in an effort to make it a more appealing program for developers. We will be hosting additional discussions on CIFIA and CBAM in November.

- **PROVE It Act**
 - There was broad support from WG members to support the [PROVE IT Act](#).
 - Administration doing work on data collection; White House task force on climate and trade, among tasks was to gather data on emissions intensity. Last week announced DOE is starting that study. Still need PROVE It Act.
 - Coalition recommendation: include the basic tenants of the bill in the Blueprint and work with the Legislative WG to officially endorse in 2025.
- **Carbon Border Adjustment Mechanisms**
 - Includes, but not limited to, Foreign Pollution Fee. Big motivator is to push back on EU CBAM. Likely to see disagreement with Europeans on calculation.
 - Could be done a few ways, 1) through imputed price of US regulation, 2) carbon tax, 3) emissions performance calculation (look at emissions average for that product, compared to standard of imports. If imports have higher emissions intensity have to pay a fee based on that differential). Have seen both Republican and Democratic bills introduced on that third component
 - Sen. Cassidy (R-LA), introduced S.3198 - [Foreign Pollution Fee Act of 2023](#); only on imports, nothing on domestic products.
 - Sen. Whitehouse (D-RI), introduced S.3422 - [Clean Competition Act](#); provides standard both domestically and on imports.
 - Removal could allow sectors to buy credits to lower emissions intensity. Could create snag with international actors buying CDR from all over world, hard to verify if high quality. Could put certain amount of revenue from CBAM towards funding procurement for CDR.
 - Q: Where would fees go?
 - A: Some bills specify, some don't. Whitehouse's bill allocates towards domestic and international decarbonization efforts. 2025 will be tax reform year which makes this possible, plus it's a revenue raiser
 - C: In order to have a financial benefit to domestic carbon capture project, needs to be revenue. Needs to be Whitehouse domestic price model to actually see a revenue to project.
 - A: Whitehouse bill would be more impactful, but not all agree that imports only would not help. Harder to put up capital when worried about being undercut internationally.
 - C: Attach carbon removal procurement to funds raised by this.
 - Concern that PROVE IT Act and CBAM are red herrings to lead to carbon tax. Not true, but important to understand that opposition.
 - C: Economics behind imports only halfway there. Curious on what international thoughts from places like Europe is on this.
 - C: Might be smart for Coalition to avoid choosing a specific path. Lots of support but also a lot of different opinions on different design. Lots

of ways this can be adjusted at fringes in terms of how we deal with allies and developing countries.

- Not currently an agreed upon calculation for emissions intensity
- **Procurement** (CDR purchase pilot prize, procurement provisions in the CREST Act)
 - Build on existing purchase pilot prize program to optimize efficiency; challenging with Republicans.
 - Better to frame as an innovation prize and authorizing ongoing work.
 - Q: Incredible that this is in bipartisan place. The word prize is constraining to DOE staff contractually, is there a way to craft language where it's not a prize but also politically feasible? Have we had thoughts of getting this into trade discussion and Cassidy bill discussion?
 - A: Challenge with trade and CBAM is that Republican support for CBAM a little less clear, so not ready at this time to link the two.
 - C: Want to speed up innovation, in addition to cost want to split it up as percent of procurement a certain company or product can have.
- **CIFIA** (will discuss this further at our next WG meeting)
 - No selected projects as of yet. Higher likelihood of claw backs the longer it sits.
 - Reasons you might expect it to take longer:
 - FID-level program
 - Grants programs start a FEED program, so CIFIA would come later
 - Challenges:
 - NEPA
 - Anything we can do to make that easier?
 - Loan and grant program
 - Pipelines usually get financial certainty from customers
 - No precedent in federal programs; in BIL there is transmission facilitation programs
 - Proposal:
 - Take text of transmission (statutory change), adapt it, and amend CIFIA
 - Doesn't come with NEPA
 - Has a precedent
 - Compatible for commercial structure
 - Q: wouldn't be subject to NEPA on private lands; federal capacity payment would not trigger NEPA, but other things might?
 - Q: how do you get bipartisan support for something about circumventing NEPA?
 - A: not what it does; but staff is likely to call that semantics
 - Staff to look at this further
 - Q: what triggers NEPA?
 - All loan and grants programs do

- Federal procurement works differently
- Q: Are there any projects that but for CIFIA, would not otherwise trigger NEPA?
 - Yes, need examples since democrat opposition is a concern.

Transportation & Storage Infrastructure

Member proposals related to this topic included reauthorizing PHMSA and increasing its budget, clarifying lease conversions and in-situ mineralization requirements for Class II and VI wells, offshore storage, and aquifer exemptions. The lease conversion issue involved requesting a framework for Class II to Class VI well conversion. As for in-situ mineralization, the proposal is to ensure EPA submit their report to Congress (which it was statutorily required to do so) on the matter of permitting wells utilizing in-situ mineralization as storage. There was also discussion around EPA needing more US-based data on in-situ mineralization practices to feel comfortable approving such wells. Regarding offshore storage, the Coalition is still awaiting regulation from the Bureau of Ocean Management (BOEM) but will include language from previous Blueprint emphasizing the cruciality of these regulations. Finally, the proposal for aquifer exemptions for Class VI wells has support from members, and there was also more general discussion on revisiting the Class VI program, generally.

- **PHMSA reauthorization; funding requests**
 - Award funding to them (small amount with outsized impact on their ability to finalize regulations and improve inspection practices)
 - Staffing them up would help get updated safety regulations out sooner
 - Want to help ease the local resistance to CO₂ pipelines; this could help
 - General support from both sides of the aisle
 - Joining up these ideas?
 - Overlap with some projects (DAC hubs, hydrogen hubs, etc)
 - Does PHMSA sponsor grants?
 - Yes, but they are pipeline-focused, not substance-specific
- **Clarifying lease conversions and in-situ mineralization**
 - Lease conversions: Releasing framework for Class II to Class VI conversion (no consensus to include in Blueprint, historically we have not worked on this)
 - In-Situ mineralization: EPA was meant to brief Congress on in-situ mineralization as a pathway under Class VI program
 - Agency has not issued a permit for wells utilizing this pathway
 - Want EPA to remove that uncertainty
 - Congress has already demonstrated bipartisan support for this
 - In-situ mineralization has greater storage potential than Class II to Class VI
 - Q: are you aware of Class VI applications using in-situ mineralization?
 - No, more developers are unsure whether they would qualify
 - A: EPA needs data in the US to feel comfortable making that finding
 - Basically, to move forward with creating a US framework

- Calpine is involved in a CarbonSAFE project involving in-situ mineralization
 - You would qualify for 45Q even if you used in-situ mineralization; the point is to qualify to report for subpart RR
 - EPA has been reluctant to do this; earliest date possible would be 2026
 - Coalition recommendation: Have high-level messaging supporting in-situ mineralization as a storage pathway
- **BOEM Regulations**
 - Reiterating priorities from 2023 Blueprint; reamplify the issue
 - BOEM has exceeded the 1-year timeline laid out in the BIL
 - Deferring any other recommendations we see the regulations
- **Aquifer exemptions**
 - This issue is a priority for operators in the Intermountain West. Over the last year this issue has achieved some momentum on Capitol Hill.
 - Want parity for Class VI with other well classes
 - Managed to get legislation advanced; was opposed by some Democrats
 - Objections were linked to pipelines
 - Raised process objections
 - Q: Are you considering an alternative Total Dissolved Solids (TDS) level for Class VI?
 - No, just want parity with other well classes
 - 6-7000 TDS is the threshold for livestock; less than 10,000 PPM for underground sources of drinking water

Planning for 119th Congress and next Administration:

After the Work Group wrapped up discussion of policy proposals, they transitioned to a planning discussion for the 119th Congress and next Administration, with a special presentation from MJ Kenny from KDCR partners.

- **Presidential:**
 - Currently, both Presidential candidates have several paths to victory.
 - Storm politics after recent natural disasters may impact race, lots of misinformation surrounding that.
- **Senate and House:**
 - Montana senate race will be important, Tester is currently lagging behind other Senate incumbents. DSCC has decided to put lots of money into flips in Florida and Texas. Tester is well funded though.
 - Committee shakeups expected in next Congress, Senate finance will have some vacancies.
 - Democrats have advantage in terms of taking House.
- Ways and Means unlikely to have leadership changes but will have new vacancies.

- **Coalition priorities and political leadership:**
 - Tax: TCJA cliff coming soon, who's in charge will vary how that goes.
 - Clawing back IRA wouldn't be enough of a pay-for for TCJA.
 - Inflation adjustment: Working with Feenstra (R-IA-4) to get him to be lead Republican on our house bill. Having many meetings to get bill introduced on inflation adjustment.
 - Permitting: Also possible that a lame-duck permitting package may emerge.
 - Appropriations: CIFIA defense will also be important.

Communicating the Blueprint:

Work Group members wrapped up the day with a special presentation from Ben Finzel of RenewPR who ran through the preliminary communications plan for the Policy Blueprint.

- Ran through launch schedule
 - Social media push in leadup to launch
 - Media briefing day before launch
 - December -- confirm key reporters for briefing
- Will provide members with:
 - Blueprint messaging
 - Social media toolkit
 - Pitch to report to accept embargo & participate in the briefing
- Need this communication to come from our membership
 - Will be devoting the next several communication working groups to the Blueprint