CARBON CAPTURE COALITION

2025 FEDERAL POLICY BLUEPRINT

POLICYMAKER SUMMARY

INTRODUCTION

The full suite of carbon management technologies is crucial to bolster domestic energy, manufacturing, and industrial production, drive down emissions across sectors, and support American jobs and vital industries across the country. Carbon management technologies, which include carbon capture from industrial facilities and power plants, direct air capture (DAC), transport, reuse, and secure geologic storage, are poised to be a central component of the United States' multifaceted strategy on energy and the environment in the coming decades.

Robust and wide-ranging bipartisan support for carbon management technologies has played a crucial role in advancing efforts to deploy these technologies nationwide (see Figure 1).

Existing laws and regulations implemented over the past several years provide a strong foundation that has launched the industry toward commercial deployment and supported sustainable, competitive domestic manufacturing, industry, and energy production. This is evidenced by the more than 270 announced domestic projects across the carbon management supply chain as of early 2025—nearly double the amount in 2023 (see Figure 2).[1] This progress on nationwide deployment of carbon capture, removal, transport, reuse and storage signals that, above all else, federal investments in carbon management are just good policy.

Despite impressive progress over the past few years, announced and future carbon management projects still face significant headwinds to commercialization.

The rising cost of deployment coupled with serious challenges in permitting, a lack of markets for products and services sourced from carbon management, and incomplete implementation of the available policy framework could jeopardize American global leadership in demonstrating and deploying these technologies.

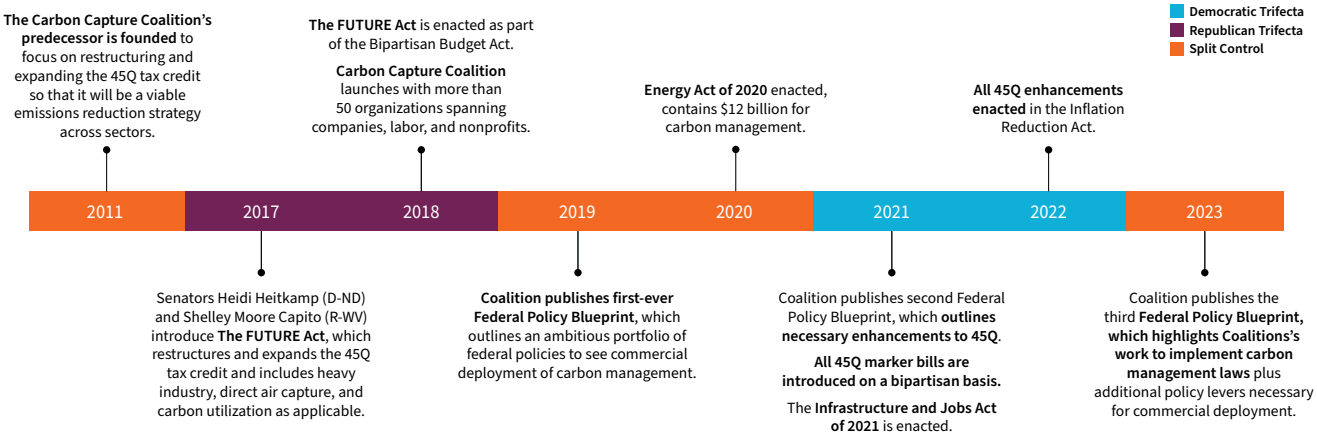


Figure 1: Timeline of Carbon Capture Coalition activities and victories in carbon management.

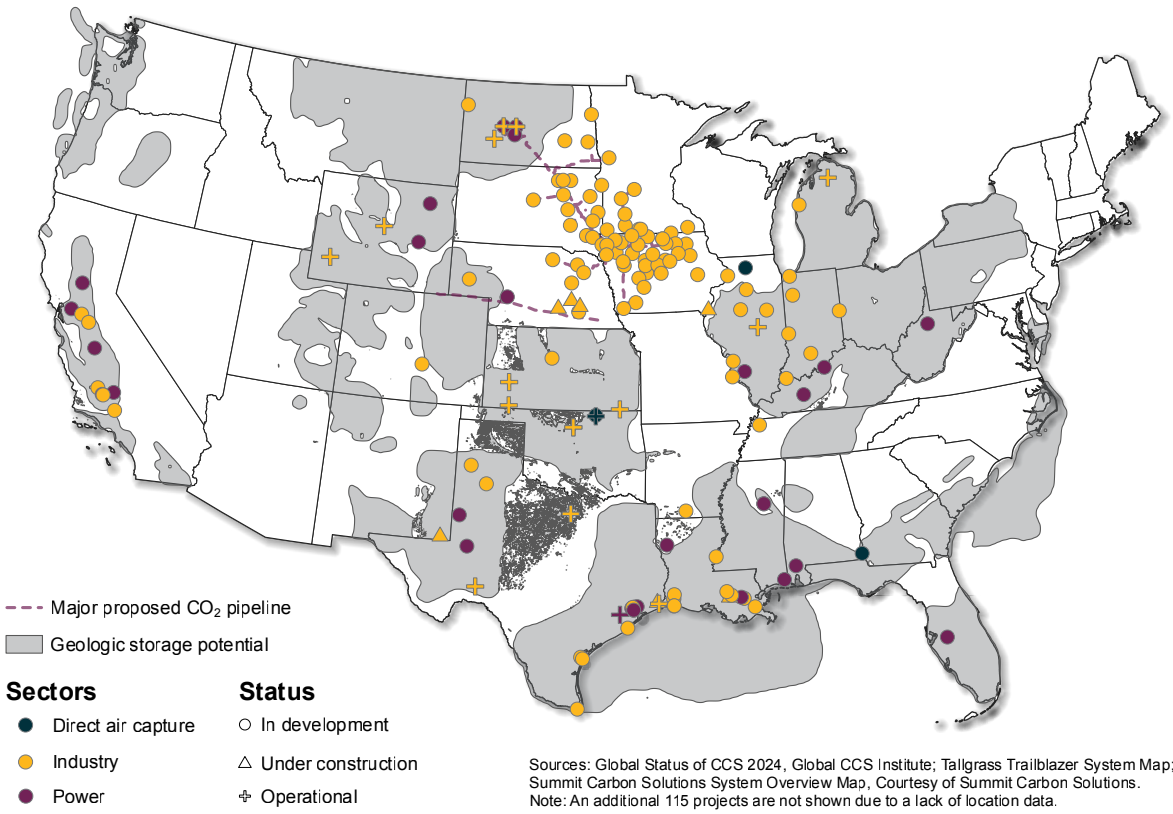


Figure 2: Announced carbon management projects in the US, February 2025.

LEGISLATIVE PRIORITIES FOR THE 119TH CONGRESS

The Carbon Capture Coalition's 2025 Federal Policy Blueprint outlines the necessary federal policy and regulatory agenda for the 119th Congress and the administration to ensure these technologies reach commercial liftoff and to bolster carbon management's role in the nation's broader domestic energy and environment strategy.[2]

Ensuring Investment Certainty

The federal Section 45Q tax credit is the key federal policy mechanism to incentivize carbon management projects. It is meant to close the cost gap between the levels of financing available for project deployment and the costs to develop carbon management technologies across sectors. High inflation rates from 2020 to 2022, however, have impacted equipment and labor costs. This rise in cost, coupled with rising rates to borrow capital and supply chain challenges, has dramatically shifted the economic feasibility of energy and industrial project deployment.

As a result, the cost to deploy carbon management technologies, even with higher 45Q credit levels, has changed rapidly over a short period of time. This is particularly true in sectors that have higher costs to deploy carbon management technologies, including natural gas-fired and coal-fired power generation, and diverse industrial sectors, including steel, cement, basic chemicals, fertilizer, and capturing CO_2 directly from the atmosphere.

The erosion of the 45Q tax credit due to inflation, coupled with rising costs of capital and equipment, put the vast majority of the more than 270 publicly announced carbon management projects in the US at serious risk of being canceled altogether.

To ensure the vitality of the American carbon management industry, Congress must:

- **Preserve the utility of the federal Section 45Q tax credit.** The 45Q tax credit is a mission-critical tool for a wide array of American businesses and industries. 45Q provides certainty to businesses to plan investments, hire workers, and obtain construction materials, among other things. As with most burgeoning industries, federal investments in tax policies and research, development, demonstration, and deployment are critical to the successful commercial liftoff of carbon management technologies across our economy. Absent a strong 45Q tax credit, the US would face unintended consequences to clean domestic energy supplies, adverse impacts on our ability to compete in global markets, and the risk of losing America's place on the world stage as a technology innovation leader.
- **Adjust the 45Q tax credit for inflation, starting immediately, using 2021 as the base year.** From 2020 to 2022, some of the highest rates of inflation in recent history, coupled with rising rates to borrow capital, dramatically shifted the economic feasibility of energy and industrial project deployment. Inflation has already consumed more than half of the value increase of the credit for carbon capture retrofits in power and industry with geologic storage.[3]
- **Further enhance the value of the tax credit.** Inflation adjustment is essential to prevent further erosion of the credit value and help sustain projects already in the development pipeline. However, it is insufficient by itself to enable broader deployment of carbon management technologies across all sectors of the US economy. As such, the Coalition is exploring opportunities to work with Congress in a bipartisan manner to further enhance the value of the tax credit.
- **Create parity for the reuse of CO_2 or CO to manufacture valuable products.** Under the current 45Q statute, there is a $25 per ton disparity between those projects that reuse carbon emissions versus those that securely and permanently store the captured carbon. Enacting the bipartisan, bicameral Captured Carbon Utilization Parity Act (CCU Parity Act) would close that gap.

Transport and Storage Infrastructure

A substantial build-out of safe, reliable CO_2 pipelines and storage infrastructure is essential to scale the carbon management industry and enable the transport of large quantities of CO_2 from industrial facilities, power plants, and DAC facilities to points of reuse or permanent geologic storage.

However, the current available permitting framework is falling short, causing delays in the siting and construction of interstate CO_2 pipelines and the permitting of geologic storage wells. In some cases, these delays have led to the wholesale cancellation of projects. To avoid these outcomes, Congress must:

- **Review Class VI and state primacy applications in a timely manner.** The review of Class VI state primacy applications and individual Class VI well applications must occur within a reasonable and predictable timeframe—this is critical to maintaining investor confidence in a project's ability to reach FID. The Coalition recommends that EPA commit to reviewing and providing final decisions on individual Class VI injection well applications within 18 months of those applications having been deemed "administratively complete."
- **Create an optional pathway for federal siting authority for CO_2 pipelines.** Currently, interstate CO_2 pipelines are sited on a state-by-state basis while, in contrast, there is federal siting authority for interstate natural gas pipelines under the Natural Gas Act. Providing parity for the permitting and siting authority of CO_2 transport systems with other similar linear infrastructure systems will allow for better community and land use planning and lay the groundwork for effective future build-out of the entire network. That said, the Coalition supports projects that are well served by the current state-by-state regulatory siting authority being allowed to continue that process.
- **Make commonsense updates to EPA's Class VI Program.** The current Class VI federal regulations—promulgated in 2010 and not updated since—outline the rules for injecting CO_2 into the subsurface for the primary purpose of storing captured CO_2. These rules were designed to be periodically updated as technology improves and project demands grow. The Coalition supports EPA revisiting Class VI well regulations under the Underground Injection Control Program to make commonsense updates consistent with knowledge gained by the industry in the last 15 years.
- **Build out the regulatory framework surrounding the storage of CO_2 on federal lands and in the Outer Continental Shelf.**
- **Retool the CIFIA program to increase its appeal to investors.** CIFIA is a DOE Loan Programs Office (LPO) administered program for building large-scale interstate CO_2 pipelines coupled with a grant program, overseen by the Office of Fossil Energy and Carbon Management (FECM), to oversize interstate CO_2 pipelines. Despite the need for these pipelines, we are unaware of any developer receiving funding under either program.

Market Development

With a global marketplace increasingly prioritizing the production and purchasing of lower-carbon products and carbon removals, Congress must expand its efforts beyond tax-based incentives for carbon management technologies.

Building up domestic demand for low-carbon commodities will foster their production, provide greater competitiveness in global trade, and help industries reach commercial maturity without being wholly reliant on federal support.

Congress should therefore direct DOE to:

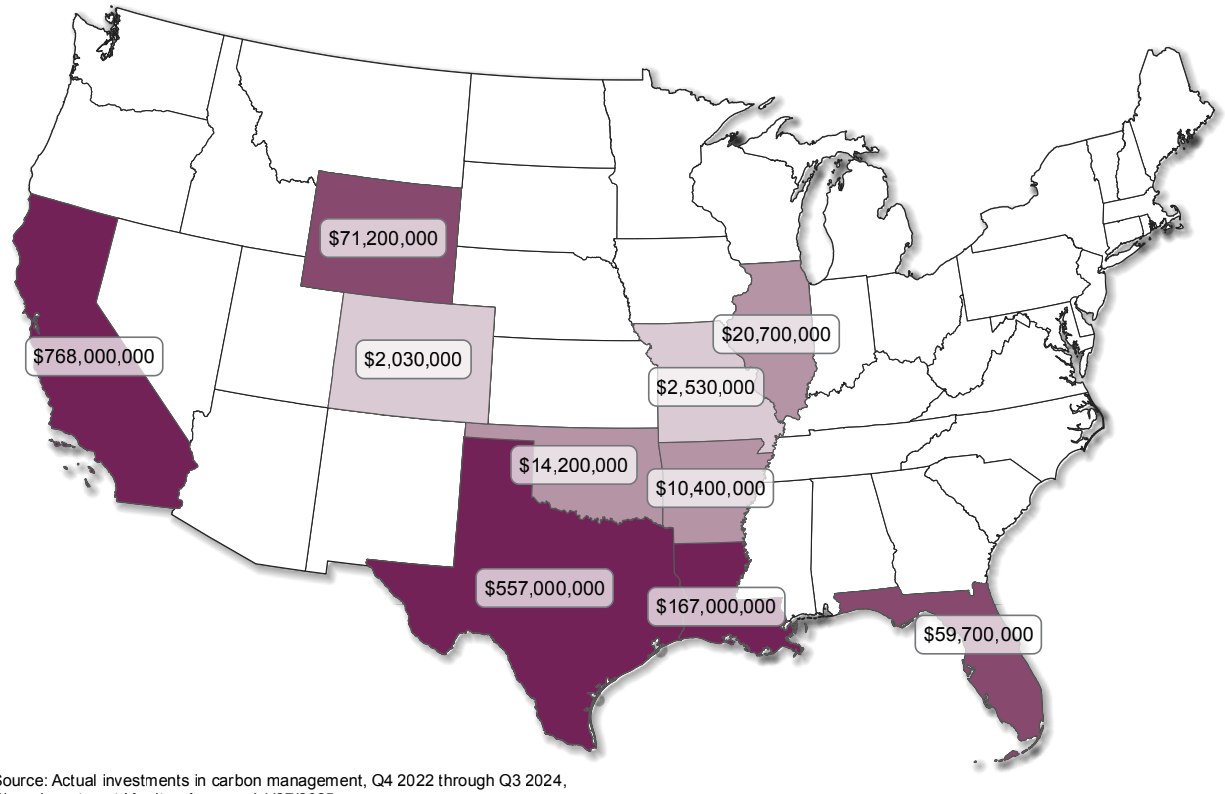
- **Collect data on the emissions intensity of domestically produced goods.** A comprehensive understanding of emissions associated with highly traded goods is essential for ensuring transparency in their carbon intensity and subsequently incentivizing and rewarding cleaner domestic production, including projects that utilize carbon management technologies. Already, US-manufactured goods are, on average, 40 percent more carbon-efficient than the global average.

Next-Generation Technology Development

Continued investment from the Infrastructure Investment and Jobs Act (IIJA) and authorizations provided by the CHIPS and Science Act have propelled US leadership in the commercialization of carbon management technologies. This is evidenced by the approximately 110 new projects that were announced across the carbon management value chain within the US between 2022 and 2024, which, in turn, have translated into billions in private and federal domestic investments in carbon management (see Figure 3).

To ensure the US remains the global leader in the deployment of these technologies, Congress and the administration should:

- **Continue building momentum by swiftly and efficiently implementing IIJA.** Of the funding made available under the IIJA for the demonstration and commercial deployment of carbon management technologies, $860 million has been awarded to 59 carbon management projects spanning vital industries and projects that will directly deliver jobs and economic benefits to diverse regions and communities across the US. An additional $600 million of funding to American businesses is under negotiation, and $9 billion has been made available through funding opportunity announcements.[4] Pulling back on the swift implementation of these programs would risk both the deployment of carbon management technologies as well as the jobs and economic investments already made and planned by US businesses.
- **Provide targeted support to achieve commercial liftoff of crucial technologies.** Funding from the IIJA has been instrumental in de-risking and deploying the full suite of carbon management technologies. Achieving the necessary scale of carbon management technology deployment to meet growing demand for sustainable, reliable supplies of energy and inputs for



Source: Actual investments in carbon management, Q4 2022 through Q3 2024, Clean Investment Monitor. Accessed 1/27/2025.
Note: Alaska and Hawaii do not have actual investments reported.

Figure 3: Federal and private domestic investments in carbon management.

industry and manufacturing, however, requires providing additional targeted support to research and development efforts across the carbon management value chain.

- **Provide adequate funding through appropriations for next-generation carbon management technologies.** In addition to the robust funding contained within the IIJA, annual appropriations for core carbon management programs represent a fundamental source of federal support for both the research and development of next-generation technologies and achieving cost reductions for newer technologies not yet ready for widescale adoption by the private sector.

ABOUT US

The Carbon Capture Coalition is a nonpartisan collaboration of more than 100 companies, labor unions, and conservation and environmental policy organizations. Coalition members work together to lay the groundwork for the necessary portfolio of federal policies to enable nationwide, commercial-scale deployment of carbon management technologies. The full suite of carbon management technologies is crucial to bolstering domestic energy and industrial production, driving down emissions across sectors, and supporting workers with a broad range of skill sets.

Endnotes

1 GCCSI, "Global Status of CCS 2024," November 2024, https://www.globalccsinstitute.com/wp-content/uploads/2024/11/Global-Status-Report-6-November.pdf.

2 For additional information, please refer to the Carbon Capture Coalition's 2025 Federal Policy Blueprint.

3 Energy Futures Initiative (EFI), "Turning CCS projects in heavy industry & power into blue chip financial investments," February 2023, https://efifoundation.org/wp-content/uploads/sites/3/2023/02/20230212-CCS-Final_Full-copy.pdf.

4 These awards and investments from the IIJA reflect the total funding amount and awarded projects as of December 2024.

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