



**CARBON CAPTURE
COALITION**

Ensuring 45Q Has the Intended Impact

March 26, 2025

Washington D.C.



About the Carbon Capture Coalition

Vision

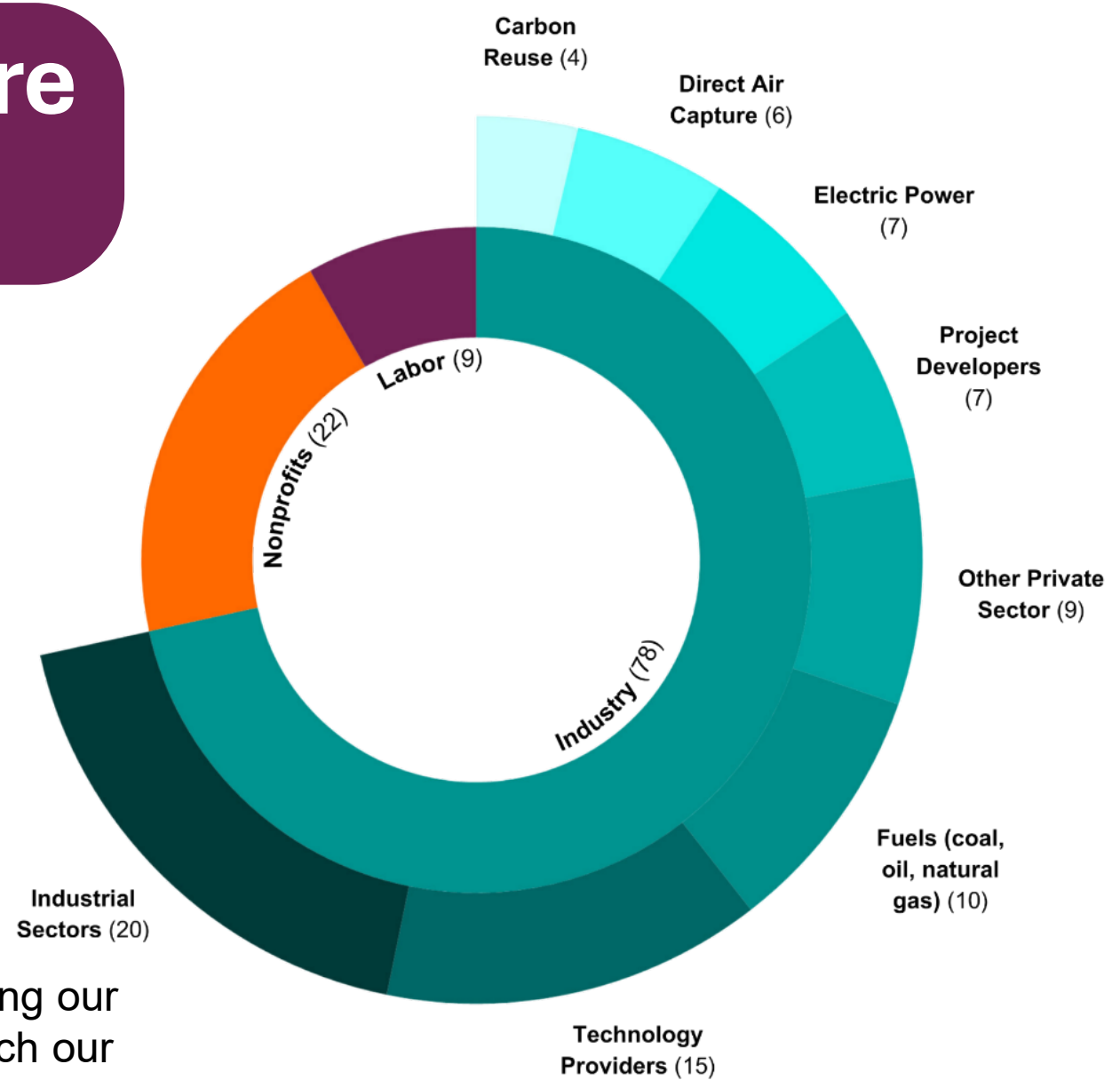
Carbon management technologies are a widely deployed emissions abatement strategy.

Mission

Build broad federal policy support for the nationwide deployment of carbon management technologies.

How We Operate

The Coalition achieves maximum impact by grounding our decision-making process in consensus, through which our 100+ members across companies, labor unions, and conservation and environmental organizations weigh in on and ultimately agree on the Coalition's top priorities.



Eligibility to Claim the 45Q Tax Credit

The party eligible to claim the tax credit is the owner of the capture equipment. That party must physically or contractually ensure the storage or reuse of the carbon oxide and may elect to transfer the credit to another taxpaying entity.

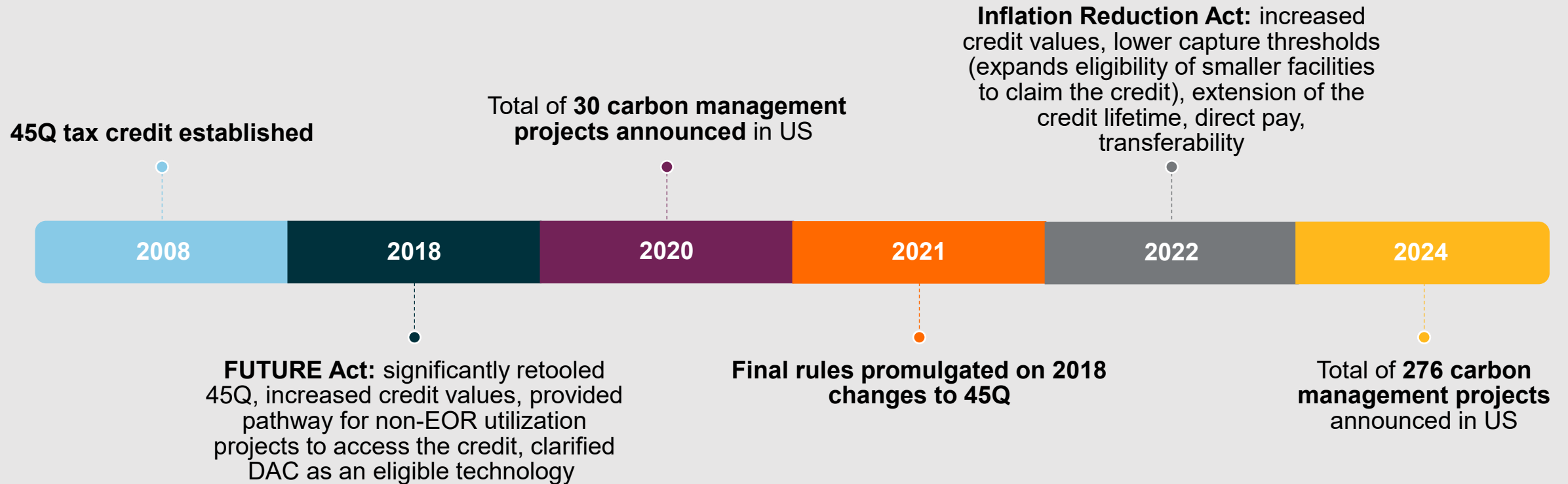
Annual carbon capture thresholds, as shown below, determine the eligibility of different types of facilities for the credit.

| | Direct Air Capture Facilities | Industrial Facilities | Electric Generating Units |
|---|-------------------------------|-----------------------|---------------------------|
| Threshold Amount (Metric Tons of CO ₂ /CO Captured) | 1,000 + | 12,500 + | 18,750 + |

45Q Tax Credit Amount: Depends on Project Type

| | For dedicated storage of CO ₂ in saline or other geologic formations | For carbon reuse projects to convert carbon into useful products (e.g., fuels, chemicals, products) | For secure geologic storage of CO ₂ in oil and gas fields |
|--------------------|--|--|---|
| Industry & Power | \$85/metric ton | \$60/metric ton | \$60/metric ton |
| Direct Air Capture | \$180/metric ton | \$130/metric ton | \$130/metric ton |

History of 45Q



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45Q is Mission-Critical

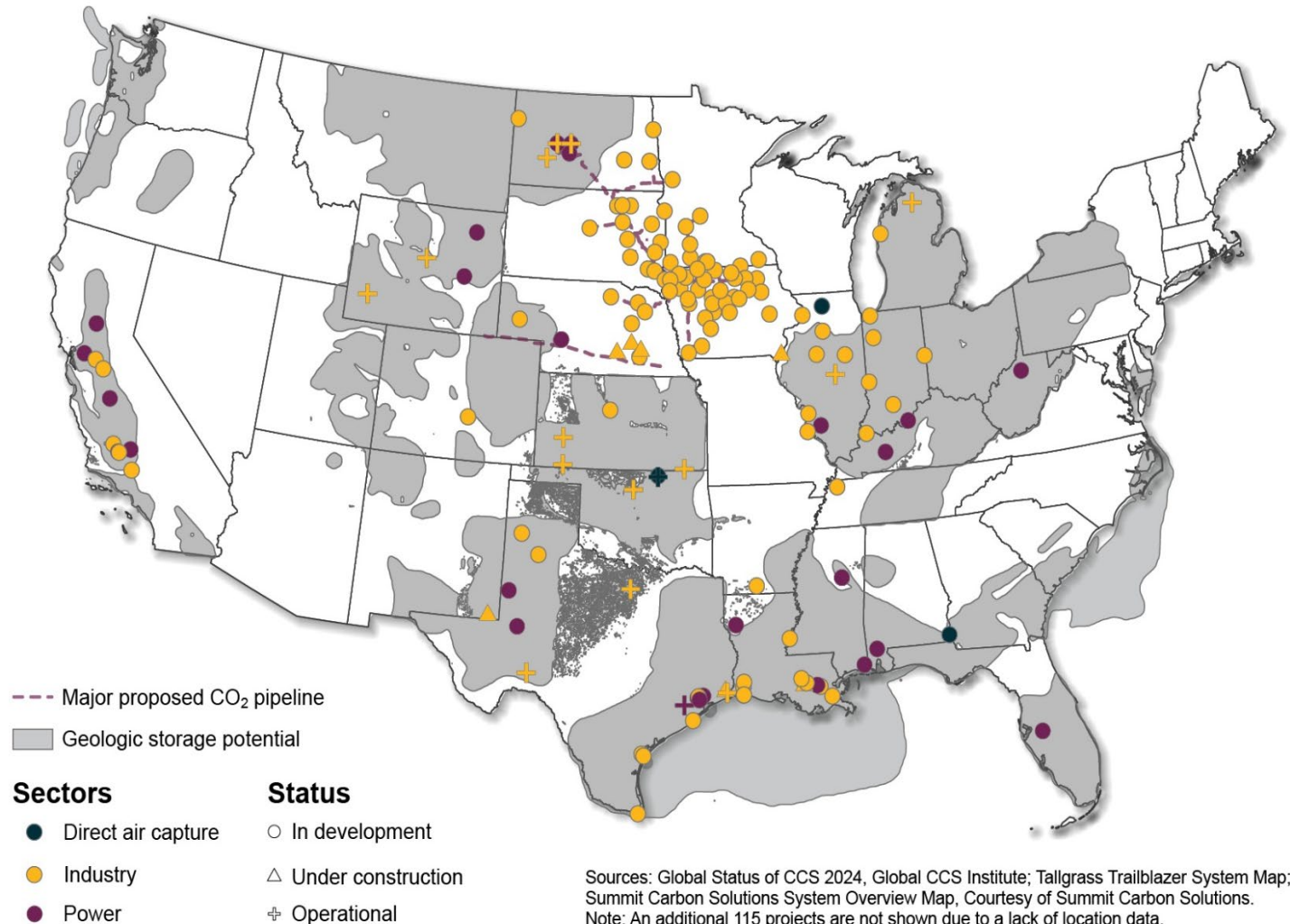
- 45Q is a Key Economic Driver
- 45Q has a Central Role in Maintaining Global Energy Leadership
- 45Q Must be a Tool in Addressing Growing Domestic Electricity Demand, in a Sustainable Way
- 45Q is Essential to Ensuring American Industries Remain Competitive in Global Markets



Leading Indicators for Project Development

270+ announced projects
across industry, power, and
DAC since the enactment of
the FUTURE Act

**160+ individual Class VI
well applications** in the
queue at the EPA

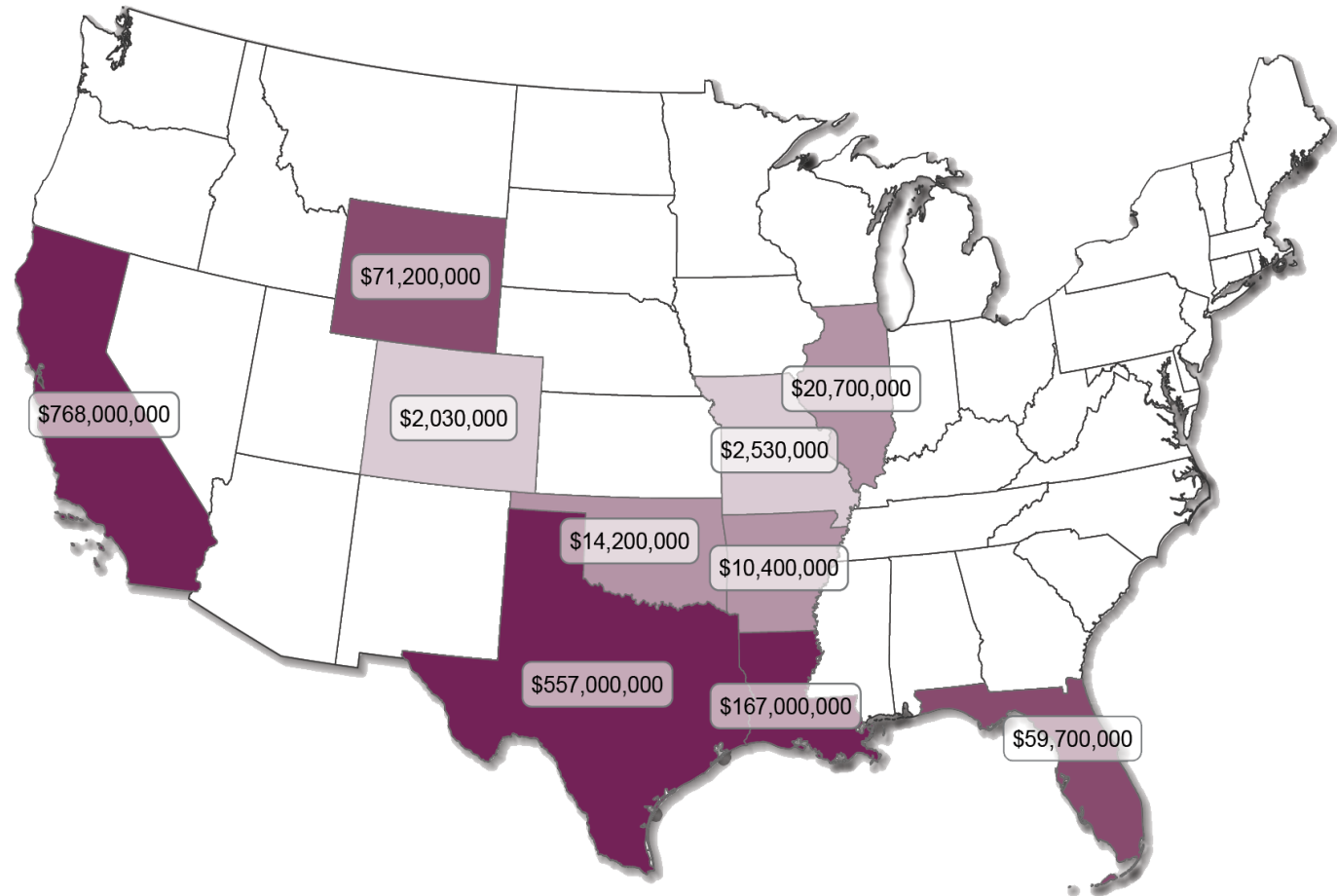


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45Q is Driving Investment

Federal carbon management policies have resulted in the direct investment of almost \$1.7 billion in 10 states representing diverse regions across the country.

Maintaining 45Q is critical to ensuring these projects move forward.



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.



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Diminishing Value Proposition of 45Q

Inflation has significantly increased the cost of borrowing capital, cost of equipment and expected return on investment diminishing the value proposition of 45Q

From 2020 through 2024:

- Interest rates have increased by approximately 3% points (Figure 1)
- Cost of construction, equipment, engineering contracts and labors have risen by approximately 30% to 40% (Figure 2)
- Corporate rate of investment has increased by 3.5% points (Figure 3)

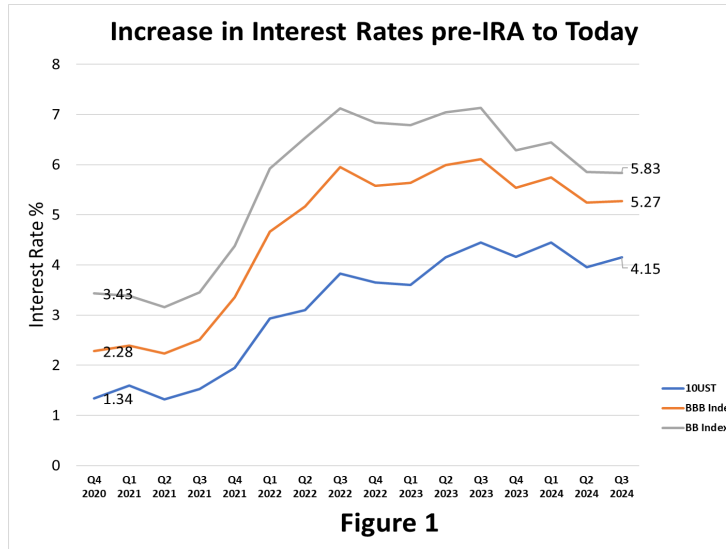


Figure 1

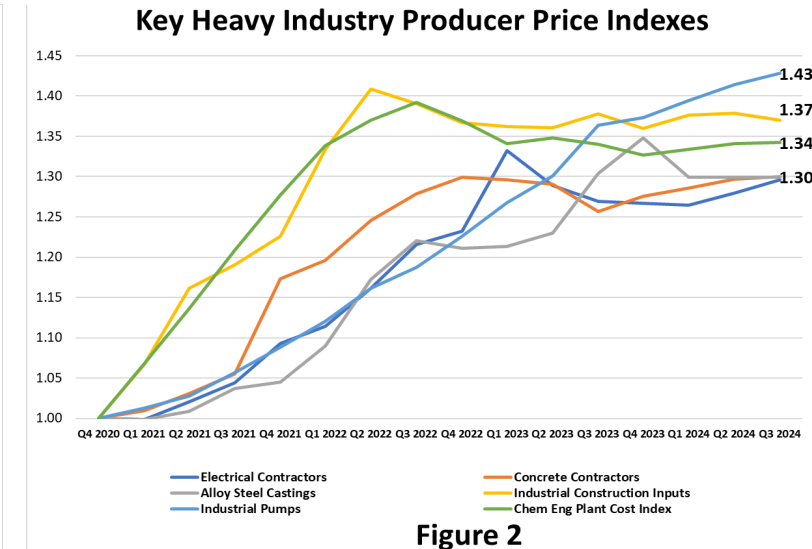


Figure 2

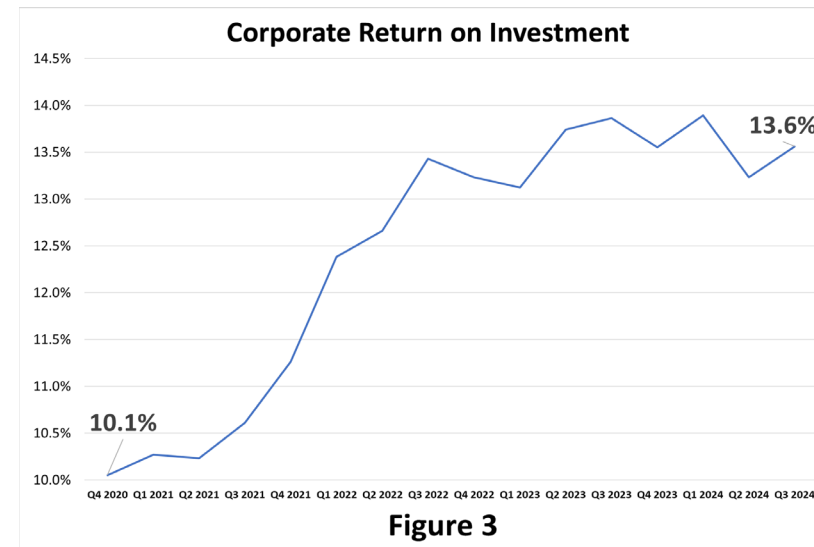
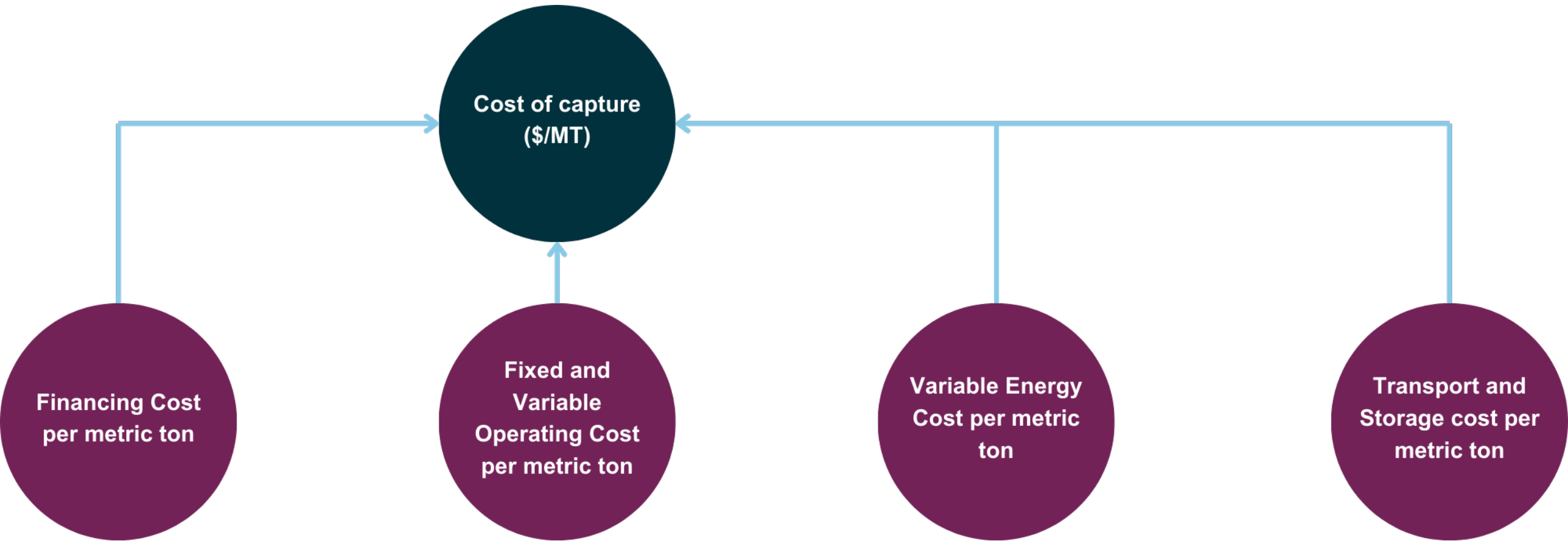


Figure 3

What is included in the 'per metric ton' cost of capture?

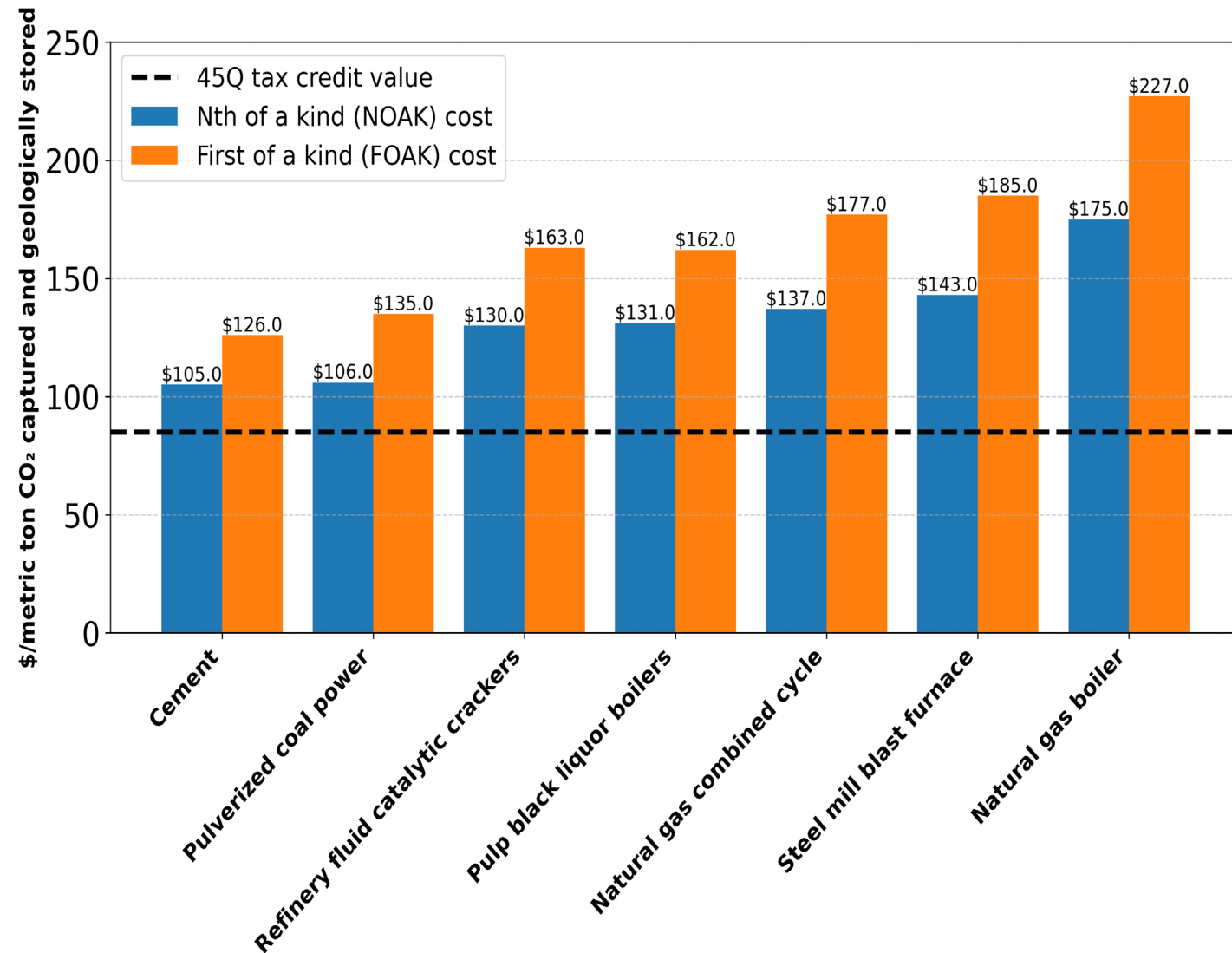
The increase in equipment cost, borrowing capital, and expected return on investment all lead to a higher overall cost of capture (\$ per metric ton).



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Current 45Q Values Falling Short for Power and Heavy Industry

- Inflation combined with rising interest rates has significantly diminished the benefits of this increase.
- At the present context, the 45Q tax credit value is clearly above the NOAK and FOAK cost of the key heavy sectors.
- Carbon management is one of the only available technologies for these key industry sectors to decarbonize to meet the growing consumer demand for sustainable, clean products and energy.



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Provide an Appropriate Inflation Index for 45Q

- At present, 45Q begins adjusting for inflation in 2027 using a base index year of 2025. However, **more than half of the increased credit value** from 2022 modifications has **already been consumed by inflation**.
- The Carbon Capture Coalition proposes to begin adjusting for inflation immediately using the **base index year of 2021**, which is consistent with the real value of the credit levels intended by Congress in 2021 bipartisan marker bills.



Parity for CO₂ Utilization

- As currently structured, projects reusing captured CO₂ to manufacture commercially valuable face a \$25 per metric ton credit level disparity versus those that securely and permanently store the captured carbon.
- In 2023, the Coalition endorsed the bipartisan Captured Carbon Utilization Parity Act (CCU Parity Act), which would establish parity for reuse of CO₂ or CO to produce valuable products with those projects seeking to safely and permanently store captured CO₂ in geologic formations.
- **Removing policy barriers like this credit level disparity is a critical factor in boosting the availability of carbon feedstocks for reuse applications.**

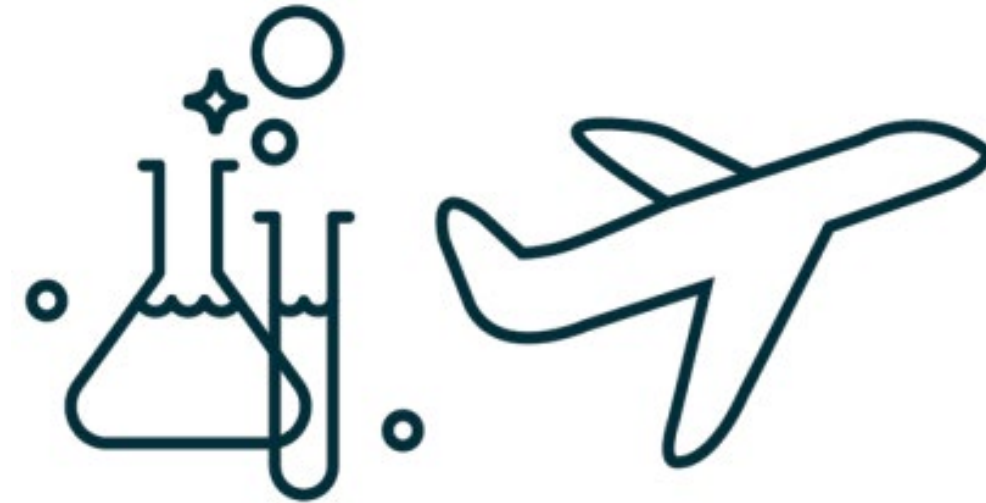
As an example of the enormous potential for substantial benefits for utilization, here is the estimate of the annual market opportunity for carbon-based Jet Fuel and the annual CO₂ utilization potential:

**\$5 – 1,849
billion**

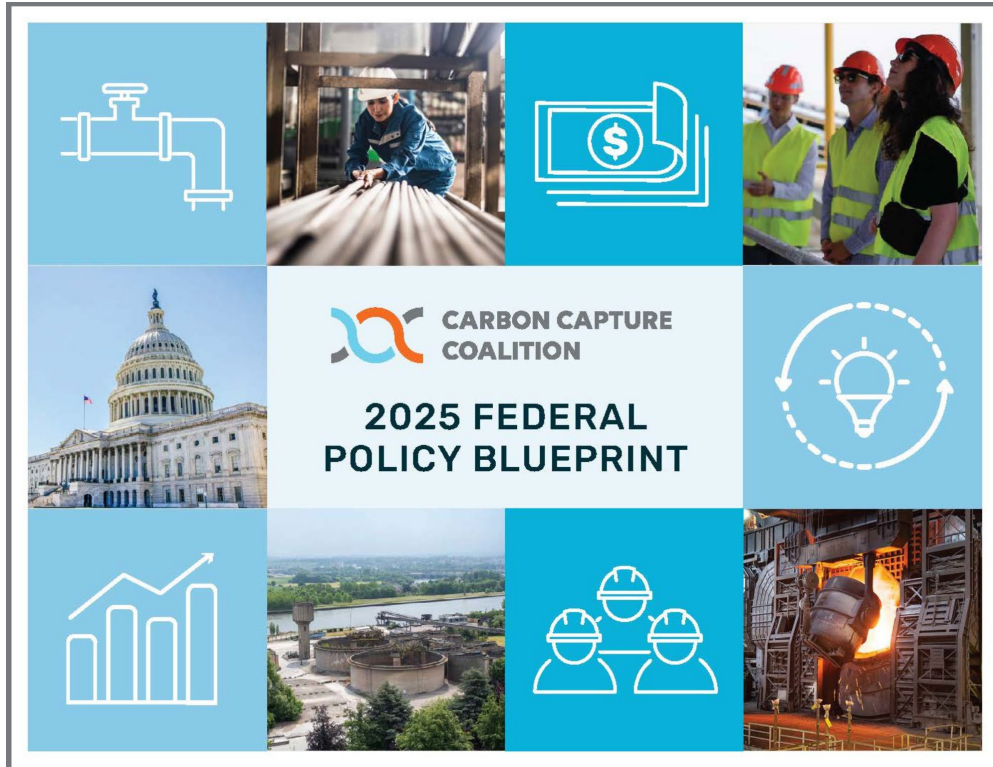
Annual Market
Opportunity by
2050

**14 –
10,200**

Annual CO₂ Utilization
Potential
(Million tonnes)



Policy Solution



The Coalition proposes:

- Begin adjusting 45Q for inflation immediately, **using 2021 as the base index year.**
- **Increase credit values** for point-source 45Q.
 - A proposal is currently on the table for \$120/metric ton.
- **Provide parity** for CCU projects under 45Q.