CARBON CAPTURE COALITION

FY2025 Appropriations Requests and Rationale

Reflecting the Coalition's priorities outlined in the 2023 Policy Blueprint and further articulated in our Summary for Policymakers, the Coalition has prepared three targeted appropriations requests for Fiscal Year 2025 that address critical near-term carbon management priorities at DOE, EPA, and Treasury.

Broadly, our priorities for the FY2025 appropriations cycle are to:

- **Build support for core programmatic activities at FECM:** Continue providing funding for core carbon management programs at the Office of Fossil Energy and Carbon Management to ensure that DOE has the resources to carry out programs that operate on funding provided by annual appropriations.
- **Create predictable timelines for Class VI review:** Class VI well permits are the lynchpin to scaling geologic storage to climate scale. Project developers require certainty and predictability to move forward to secure project financing without sacrificing a rigorous review process.
- **Issue 45Q guidance and address regulatory barriers to deploying carbon reuse projects:** In addition to urgently needing guidance on the most recent enhancements to the 45Q tax credit from the Treasury, it has become apparent that carbon reuse projects are largely sitting on the sidelines -- unable to monetize the utilization pathway due to regulatory barriers. Treasury has an opportunity to address some of these issues in forthcoming 45Q guidance.

1. Programmatic Funding Request – Carbon Management Technologies

Request level: $492,200,000 for "Carbon Management Technologies" at the Office of Fossil Energy and Carbon Management (FECM); $32,200,000 increase over the FY23 levels.

Rationale: Protecting funding levels for foundational RD&D programs at the Department of Energy (DOE) crucial. **This request represents a 7 percent increase over the FY23-enacted levels for all of the core carbon management RD&D funding programs at DOE, including carbon capture, carbon utilization, carbon dioxide removal, and carbon transport and storage.** High inflation rates are being felt across the entire American economy and energy innovation programs are no exception. The requested funding levels are designed to keep pace with the current inflation rate while providing DOE the necessary tools and staffing to see the various carbon management programs under their purview scale to meet greenhouse gas emissions reduction targets, protect and expand a high-wage jobs base and foster American energy and industrial production.

2. Report Language Request – Class VI Injection Well Program

Report language: Within the Office of Ground Water and Drinking Water, the Committee recommends that the Agency review and provide a final decision on individual Class VI injection well applications within 18 months of having been deemed 'administratively complete' by the Underground Injection Control Program. Within 90 days of enactment, EPA will brief the Committee on how the UIC program intends to meet this timeline of review.

Rationale: Class VI injection wells administered by the Environmental Protection Agency's (EPA) Underground Injection Control (UIC) Program are the lynchpin ensuring that geologic storage can scale to meet anticipated storage demand from the now more than 190 carbon management projects that

have been publicly announced; most of which are intending to store captured CO_2 in Class VI wells. While EPA has signaled that they intend to review and make determinations on completed applications within two years of receipt in a report to Congress in 2022, securing an EPA Class VI permit for secure geologic storage of captured CO_2 can take several years; what is inherently lacking from the process is certainty for project developers to move forward on various pieces of project development and deployment. This uncertainty can place carbon management projects at greater risk of missing key project deadlines including securing financing, as well as other necessary components of project development like project planning and engineering. Timely and rigorous review and decisions on Class VI well applications are pivotal to providing the certainty needed to encourage necessary private investment and catalyze the deployment of this essential industry.

3. Report Language Request – Finalize 45Q Guidance and Address Issues with Electing the Carbon Utilization Pathway

Report language: The Committee recognizes the important role carbon utilization technologies can play in achieving critical greenhouse gas emissions reductions. **In addition to issuing guidance on the most recent enhancements to the federal Section 45Q tax credit, the Department should finalize guidance associated with electing the federal Section 45Q tax credit under the utilization pathway, including addressing barriers to electing the credit.** Final guidance is necessary to provide clarity and certainty for carbon utilization project developers. The Committee further recommends that within final guidance, Treasury eliminate the current pre-approval requirement for lifecycle analysis (LCA) in Treas. Reg. § 1.45Q-4(c)(6) and instead give taxpayers an option to petition DOE for a technical review of an LCA as a risk management tool.

Rationale: Under final regulations issued by the Department of the Treasury in 2021 for claiming the 45Q tax credit, carbon utilization project developers must use retrospective or real-world operating data to prepare and submit the required Lifecycle Analysis (LCA) in parallel to IRS and DOE for approval. **The regulation requires taxpayers to receive LCA approval before claiming Section 45Q credits. However, the requirement to obtain pre-approval of the LCA from IRS and DOE does not appear in the statute.** The requirement to obtain pre-approval of the LCA significantly diminishes the incentive the tax credit intends to offer utilization project developers and creates a considerable barrier for carbon utilization projects to even claim the credit. The taxpayer must make significant investments to undertake carbon utilization activities, complete the LCA *and* receive prior approval before knowing if they will be able to claim the credit, which puts these technologies at a significant disadvantage relative to other pathways under 45Q. This puts projects in a precarious position as project developers need up-front financing to provide certainty to move forward with building a project. 45Q is good policy, which has been the key driver to seeing the full suite of carbon management technologies scale at the rate necessary to meet emissions reduction and midcentury climate goals; however, this pre-approval requirement effectively disincentivizes utilization technologies from scaling. **Put simply, the vast majority of project developers will need to know if they will or will not qualify for 45Q to be able to secure project financing.**

Additionally, 45Q is not the only tax credit that requires an LCA be submitted before claiming the credit. It is critical that final 45Q guidance clears any roadblocks for project developers related to the LCA requirement in claiming the tax credit as many other clean energy and industrial tax credits reformed or created in 2022 require an LCA component.