CARBON CAPTURE COALITION

Legislative Work Group
June 25, 2025
Meeting Notes

Meeting Summary

The Coalition's Legislative Work Group met on Wednesday to discuss recent Coalition advocacy efforts and the state-of-play as reconciliation moves through the Senate. Congressional deliberations on the budget reconciliation package are progressing quickly, with Senate activity expected to peak during a potential vote-a-rama later this week. While many clean energy tax credits were significantly weakened or terminated in the Senate reconciliation text, 45Q has fared relatively well in its initial iteration—thanks in large part to Coalition member advocacy—restoring transferability for the lifetime of the credit (relative to the House's text) and providing credit level parity between utilization projects and dedicated geologic storage projects. However, the package includes foreign entity of concern (FEOC) restrictions and further delays the inflation adjustment by a year. Coalition members and key Senate Republican offices continue to engage Senate Majority Leader John Thune (R-SD) and Senate Finance Committee (SFC) staff to address the inflation adjustment provision and make improvements to the base index year and adjustment date. Discrepancies between the Joint Committee on Taxation (JCT) scoring and revenue estimates included in the Coalition/CURC-commissioned EY 45Q analysis have emerged as a critical hurdle for further improvements. Ongoing outreach to Senate Finance Committee staff and Senate Majority Leader Thune's office remains a top priority. Additional updates include forthcoming fiscal year (FY) 2026 appropriations markups, upcoming PHMSA ANPRM deadlines, and engagement with EPA's Office of Air on GHGRP changes.

Key-Takeaways

- The Senate may vote on the reconciliation package as soon as this weekend, ultimately aiming to finish before the July 4 recess.
- Byrd-Bath rulings have removed some significant revenue raisers, potentially requiring new offsets.
- 45Q retained full transferability and utilization parity—thanks to Coalition member efforts.
- FEOC provisions remain in the Senate text with slight definition adjustments but are unlikely to change further.
- Inflation adjustment for 45Q was delayed to 2028, with a base index year of 2026, with SFC staff noting this change was used as a 'pay-for', for utilization parity.
- JCT scored 45Q modifications at $14.28 billion—far higher than the Coalition's EY estimate of $0.5 billion—creating challenges for additional changes.
- Senate offices are engaged in negotiations; some, like Sens. Kevin Cramer (R-ND) and John Hoeven (R-ND), continue pushing for inflation adjustment restoration.
- The Coalition and CURC developed an alternate proposal aimed at preserving parity while restoring inflation provisions.

- PHMSA ANPRMs are open for comment through July and August; the Coalition will reconvene its Regulatory & Guidance Work Group.
- The Coalition is closely monitoring FY26 appropriations, with House markups beginning July 7.

Next Steps

- Coalition staff will continue engaging Senate Finance Committee and JCT to clarify scoring discrepancies.
- Members are encouraged to make last-minute outreach to Majority Leader Thune's (R-SD) team on the inflation adjustment issue.
- Await SFC text readout and assess for potential threats or opportunities related to 45Q.
- Coalition Regulatory and Guidance Work Group to reconvene in early July to prepare PHMSA ANPRM comments.
- Monitor House Energy & Water Appropriations markup on July 7 and pending Senate appropriations schedule.

Attachments

- PHMSA Advanced Notices of Proposed Rulemaking (ANPRMs):
    - ANPRM due July 21
    - ANPRM due August 6
- JCT Scoring Analysis for Senate OBBBA
- EY 45Q Scoring Analysis (attached)
- CCC 2025 Annual Meeting registration

Meeting Notes

- Welcome / Agenda
- Budget Reconciliation: State-of-Play
    - Timing / Hill intel
        - Byrd-baths are underway on a number of provisions in the Senate text
        - The vote-a-rama is expected as soon as this weekend
        - Senate negotiators will likely need to find solution on SALT similar to the House negotiations
        - The package has also lost revenue raisers on some things through Byrd-bath process, which could hypothetically cause Senators to go back to the well on other IRA clawbacks
        - The timeline for senators to get this done is still by July 4th, though leadership has indicated this may be pushed slightly
        - House and Senate are in recess next week; it is unclear if Speaker Mike Johnson (R-LA-04) would bring the House back into session for a vote
            - Coalition consultants voiced that he likely would; if the Senate finishes their process by Saturday or Sunday there would be enough time before the Holiday
        - We still have not received a ruling from the parliamentarian on the usage of the current policy baseline

        - Some perspective the parliamentarian gave earlier in the process was that it’s permissible for the Budget Chair to set the policy baseline, so it is unlikely for the parliamentarian to raise issues on these grounds
        - It is also unlikely for Republican Senators to ‘go nuclear’ and overrule the parliamentarian, but if ultimately needed, that could be a possibility for Senate Republicans as well
        - Q: Once the Senate gets a bill to the floor, how much time do we see them needing to process the legislation?
            - They typically would begin in the afternoon or evening and go all night; there has been talk amongst Democrats to streamline the process, and make their point through strategic messaging amendments but with fewer actual votes
            - One big factor is whether the Senate is simultaneously working out a substitute amendment which would affect timing
            - It was discussed that there are methods that Democrats could use to stall this legislation if they so choose
        - Q: For the items that are still unresolved or could be struck down by the parliamentarian, do we know what dollar amount those provisions would total to? If they have to go back to IRA for more savings, would these be more tactical changes or large-scale changes to address a large gap?
            - It probably won’t be a huge gap they need to make up from IRA credits, but unsure; With the current policy baseline being used it is unclear how much large savings would be needed
                - This is changing by the minute given the Byrd bath is happening in real time; Senate offices using feedback from Byrding process to refine and amend proposals
    - 45Q status
        - 45Q shook out much better than many other clean energy tax credits, in no small part thanks to the advocacy from people in this group
        - The good news from the Senate Finance package:
            - The text includes a full restoration of transferability
            - The legislation provides parity for both EOR and non-EOR utilization projects placed in service after 2022
        - Challenges from the Senate Finance package:
            - The text includes the FEOC provisions from the House bill; from our understanding a few changes were made to definitions particularly to foreign influenced entity language which appear to make this more workable
                - It is unlikely that we will see changes to the FEOC provisions for 45Q based on our conversations with Senate staff

        - One participant has heard that there are ongoing discussions on FEOC, but it is unclear if they're breaking those out by tax provision or if those are broader, all-encompassing conversations on FEOC
      - Q: Have we heard what the rationale for differentiating FEOC treatment with different credits is? We wouldn't like a last-minute change where all credits get the same FEOC treatment
        - We have had a couple conversations asking this question but we haven't hear much of a solid explanation for the less restrictive treatment of 45Q
      - Q: Did we find out more regarding FEOC in intellectual property (IP)? We want to understand impact FEOC provisions will have on this sector given that the IP is not entirely owned by the US for various bits and pieces of a CCS projects that need to be imported. Would FEOC provisions impact that? IP and ownership related to supply chains and components isn't always clear cut with these projects
        - We haven't determined that yet but we are continuing to work on that
        - It is a good question and depends on where the language ends up, but we will have to look at statute and think about that as it's a highly technical issue; This is likely a concern that needs to be looked at though
          - Coalition staff and consultants will further dig into this issue after this call
    - Inflation adjustment for 45Q was pushed back by 1 year in Senate text, up to 2028 (currently 2027); The corresponding base indexing year was moved from 2025 to 2026
      - This is incredibly frustrating given our advocacy and outreach around this issue
      - In doing additional digging, we have heard that the inflation date push was used as a pay-for for the utilization parity portion of the legislation
      - We have done additional advocacy to at the very least move the inflation date back to what is specified in the current law and ideally make further progress on the base indexing year, if possible
      - We have been in close touch with Sens. Hoeven (R-ND), Barrasso (R-WY), and Cramer (R-ND) staff on the inflation issue
      - CURC and Coalition staff have been arming these teams with information on why parity would score very low; we view the parity provision as amounting to a rounding error

for the total package, hopefully providing some more room for negotiation

- These staff members have made plea to Senate Finance Committee staff to at very least return inflation adjustment to current law
- At the tail end of last week, SFC staff asked these Senators to come back to them with an alternative proposal for 45Q which would maintain a similar score as the currently proposed package, but make improvements to the inflation adjustment provision
- Last week, Coalition and CURC staff put our heads together to create an alternative proposal
    - The new proposal would tweak Senate text to provide parity for utilization projects placed in service after enactment of the bill (presumably 2025), and in return, we would ask to keep the inflation adjustment date at current law while moving the inflation indexing date back to 2021
        - Intention was for this proposal to have a similar score while still making significant inroads on current and future project economics
- On Saturday, JCT released scoring for the Senate text which added another challenge; JCT scored the modifications to 45Q at $14.28 billion, a figure which only includes the parity provision and the FEOC provision
    - Our EY analysis earlier this year scored parity at half a billion dollars, so this is a significant discrepancy; In talking to our colleagues at CURC, we cannot understand how JCT came to this score
    - We have conducted outreach to Senate Finance and JCT staff to once again provide methodology from our EY scoring and why we believe the current JCT score does not align with how the industry is scaling
        - This information and the materials we shared is in review with JCT staff right now; they have acknowledged receipt and that they would circle back with additional questions
    - Q: Has there been any discussion about shifting the EOR parity date out later to help with the inflation adjustment treatment?
        - Sen. Barrasso would like to keep the text as close to the Enhancing Energy Recovery Act as possible in terms of effective dates

            - We would note that moving this date from 2022 to 2025 would already save significant money under JCT's scoring
        - Q: Could they do a ramp-in from the date-of-enactment over three years for parity? They could add a bit of money to the credit each year for a couple years to ramp in to full parity
            - There is a wrench on the parity piece that Senator Barrasso's (R-WY) team wants to preserve as much of his original parity legislative text as possible. They have been very clear that parity, not inflation adjustment, is their boss's top 45Q priority
        - If anyone is able to make connection with Sen. Thune's (R-SD) team today on one final inflation adjustment plea that would be very helpful
        - Sen. Cramer (R-ND) and Hoeven's (R-ND) offices see restoration of the current law for inflation adjustment to be the most likely outcome here
    - On the JCT score piece, we are awaiting additional feedback from JCT staff after providing them with our methodology on why we believe their score is toohigh; Our intention is to see if we can make inroads with JCT staff on making a modification to their score
    - Coalition staff noted that JCT staff is in crunch time so it may be difficult to reach them
        - In May, EY, CURC, and Coalition staff presented to JCT on the 45Q revenue estimate prepared by EY ; it was a very positive conversation, and we had thought JCT would use similar data in their estimate; We are still trying to parse out what their methodology was and where the difference in scoring lies but JCT is a bit of a black box
- Next Steps
    - Coalition and CURC staff are making some last connections with Majority Leader Thune's team to communicate the importance of inflation adjustment improvements to the broader industry
        - **If you have good relationships with Thune's office, please reach out to reinforce our messages on inflation adjustment**
    - Last communications with the Hoeven team indicate that they feel they've made every effort;
        - latest interactions with Senate Finance indicate that they anticipate final Finance text to reflect a parity effective date for projects placed in service after the date of enactment, so 2025, and restoration of current law for inflation adjustment and the corresponding base index year.

        - It has become more clear recently that, unless JCT can make significant changes to their scoring, additional positive modifications to 45Q beyond restoring the current inflation adjustment are unlikely; This is disappointing, but we want to reinforce that this is still a much better outcome than we had last Monday, and we truly left no stone unturned in terms of our advocacy
        - Because the Byrd Bath has taken out pay-fors in Finance bill, it is possible SFC is going to look to energy credits for clawbacks
            - We need to continue to make the case for preservation of the 45Q credit, in addition to improvements like inflation
        - Once SFC text is available we will provide a readout of that text with this group
        - Q: Is it our sense that the Coalition needs to proactively reach out Senate negotiators to protect 45Q, or is this something we just need to be ready to do in case there's a specific attack on 45Q?
            - This is less proactive and more reactive at this point since we haven't gotten a strong indication that SFC plans to target 45Q for revenue raisers
- FY26 Appropriations
    - The E&W committee is slated to mark up their bill July 7; The Interior and Environment subcommittee date has been pushed to later in the month
    - On the Senate schedule, they have been dragging their heels a little bit; Chairman Susan Collins (R-ME) is focused on the recissions bill right now and engaging with OMB Director Vought
        - The timeline for Senate markups is still to be determined
- Other Updates / Housekeeping
        - PHMSA ANPRM Pipeline repairs – comments due July 21
        - Broader pipeline safety reforms – comments due August 4
            - We are planning to reconvene the Regulatory and Guidance Work Group in early July to discuss potential comments on both of those ANPRMs
    - EPA Office of Air Meeting
        - Jessie is meeting with EPA Office of Air staff today to discuss the GHGRP program and any changes the administration is planning
        - She will advocate for the program's usefulness in electing 45Q and in ensuring public and policymaker confidence in the program
    - CCC 2025 Annual Meeting Registration
        - November 6 – Lafayette Park, CA
        - November 5 site visit: Calpine capture facility