Making the Case for the CCU Parity Act (S.542/H.R.1262)

General Bill Overview

- Supports carbon utilization technologies that reuse captured carbon in the manufacturing of low- and zero-carbon products including fuels, chemicals, building products, and other products of economic value that are not yet cost competitive with other incumbent, well-established products and processes, or face other barriers to market entry.
- **Ensures carbon utilization technologies can fulfill their role as an important complement to large-scale carbon storage**. Federal policy support for the carbon utilization sector will boost deployment of carbon capture, while creating sustainable, circular supply chains that support local jobs and regional economies.
- Provides the following credit levels—creating parity with levels for geologic sequestration—under the 45Q tax credit:
    - $85 per metric ton for the reuse of captured emissions from industrial and power generation facilities; and
    - $180 per metric ton for the reuse of captured emissions from direct air capture projects.

Economic Arguments

- **The U.S. is uniquely positioned to lead the globe in the reuse of captured carbon emissions.** Today, innovative companies are engineering sustainable processes for converting millions of tons of captured carbon in the United States each year into useful products such as plastics, concrete, and fuels, among many others—essentially creating entirely new supply chains. **To achieve this, they will need to invest billions of dollars in private capital to construct new manufacturing facilities.**

- 45Q is the foundational tax credit used to help make carbon management projects economical. However, under current law, the $25 per metric ton disparity between Section 45Q carbon sequestration and carbon utilization credit levels *disincentivizes* the development and deployment of nascent carbon reuse technologies. This disparity rises to $50 per metric ton in relation to direct air capture projects.

- Since the enhancements to 45Q last year, there has been a real boon in announcements of carbon management projects, the vast majority of those projects that have been announced are for carbon storage projects, really demonstrating the issue for carbon utilization companies;
    - The disparity creates a harmful and unnecessary cost for carbon conversion companies. In order to win CO_2 offtake contracts, companies must pay up to $25-50 per ton of captured CO_2 to equal the tax credit that carbon capture project developers would receive for sequestering the CO_2. This, in turn, discourages private investment in the broader sector.
        - **It really comes down to making these projects cost-competitive with their storage project counterparts—CCU needs a level playing field.**

Environmental Argument

- While still nascent relative to the other technologies in the carbon management value chain, carbon reuse can serve as a key driver to pursuing capture and removal technologies.
- **Reuse supplements efforts to geologically store captured carbon dioxide** with less pressure on supporting infrastructure. These technologies will also play a complementary role in a broader portfolio of strategies to reduce greenhouse gas emissions, decarbonize and introduce circularity to the American economy, and create new manufacturing sectors resulting in the creation of family-sustaining jobs.
- Re-used carbon can create a circular carbon economy where carbon emissions are recycled into essential fuels, chemicals and products even in a fully "decarbonized" economy.
- Carbon reuse may be particularly useful in addressing some of the largest sources of industrial carbon emissions, such as steel, cement, chemicals and refining. According to EPA emissions data, the industrial sector is responsible for 30 percent of domestic emissions when associated emissions from electricity use at industrial facilities are included.
- Reuse applications for carbon emissions from industrial and power facilities will help to provide incentives to install carbon capture in a number of cases, including;
    - early market incentives for capturing carbon emissions while transport and storage infrastructure scales;
    - for those facilities whose sources of emissions that are too small to be economically captured and transported; or
    - for those that are too far removed from appropriate storage sites.

- Removing policy barriers like the credit level disparity between carbon reuse and storage in 45Q is a critical factor in boosting the availability of carbon feedstocks for reuse applications across the value chain of carbon-based commodities, specialty products, and chemicals.