



CARBON CAPTURE COALITION

2025 Federal Policy Blueprint Demand-Side Policies Work Group Meeting #1 August 7, 2024

Summary:

On Wednesday, August 7, the Coalition convened the inaugural meeting of its 2025 Federal Policy Blueprint Demand-Side Policies Work Group. The meeting primarily addressed the need to shift focus from incentives to demand-side policies in carbon management, highlighting the importance of federal policies over voluntary carbon markets. Discussion centered on government procurement, carbon border adjustment mechanisms (CBAM), compliance markets, and carbon accounting. Participants emphasized the necessity of federal involvement in creating demand signals and standardizing practices. They also explored the potential for a CBAM in the U.S., considering the complexities and political challenges. The meeting concluded with an emphasis on preparing for the upcoming in-person Blueprint Meeting in October and the need for participants to prioritize key areas for further discussion.

Key Next Steps:

- Circulate notes from the meeting and gather 1-3 priorities from participants for the next meeting.
- Avoid making substantial changes to the Blueprint by October; focus on drafting process.
- Continue discussions at the in-person October meeting unless urgent issues arise.
- Submit ideas and feedback using the policy options submission form.

Meeting Notes:

- **Welcome and Overview of Work Group**
 - Have been largely focused on incentives side but becoming increasingly clear there are more needs demand-side. Have provided some framing in last two iterations of BP. Important to state that while voluntary carbon markets will play important role we are focused on federal policies. Important to identify which directions we want to go in here, including procurement, carbon border adjustment etc.

- In materials before call received two draft Coalition positions we got close to finalizing a few years ago so one thing on table. Highest priority today is to decide our attention and focus in this area moving forward
- **Announcements**
 - In-person Blueprint Meeting: October 7th, 2024; Washington, DC
- **Overview of Existing Coalition Policy Positions**
 - Develop Federal Role in Standardizing the Marketplace
 - Want to develop standards for best practices on MRV in utilization
 - Common LCA practices for less commercially mature technologies
 - Further buildout of both of these can encourage Cross-sector collaboration between agencies
 - Federal Purchasing of Innovative Carbon Management Products
 - Develop standards to track carbon reductions from commercial utilization in products
 - Establish common LCA practices for less commercially mature technologies
 - Create federal pilot purchasing programs aimed at nascent technologies
- **New Topics Relative to 2023 Blueprint**
 - Government Procurement
 - Carbon Border Adjustment Mechanisms
 - Has gained traction over years
 - Compliance Markets
 - Carbon Accounting
- **Contextualizing Demand-Side Policies**
 - Government Procurement
 - Funded under the BIL, the CDR Purchase Pilot Prize supports DAC as one the CDR pathways to deliver CDR credits
 - Similarly, under the BIL, Carbon Utilization Procurement Grant program supports procurement of the useful products derived from the anthropogenic carbon oxides
 - Helps bridge the gap between early-stage research and commercialization
 - Carbon Border Adjustment Mechanisms
 - Fee applied to products upon entry or imports that accounts emission intensity of the products
 - US has carbon efficiency advantages as compared to most other countries
 - Not treated as a carbon tax
 - EU has passed a CBAM, which has increased interest in a domestic framework for one to retain competitiveness

- Compliance Markets
 - California's Low Carbon Fuel Standard and European Union's Emission Trading System are some examples of compliance markets that create demand-pull to combat carbon emissions by using carbon management technology
 - Carbon Pricing
 - Worked on a document a few years ago on carbon pricing standards and guidance and find pieces of that we can include in our BP recommendations
 - Clean Electricity Standard
 - Have a similar draft document as above on this issue
- Carbon Accounting
 - Federal role in defining the quality of carbon credits in the voluntary carbon market
- **Framing Questions for Discussion**
 - Questions
 - What is the role of the federal government in providing demand signals?
 - What topics have the most bipartisan interest heading into the next Congress?
 - Of the discussed demand-side topics, what should the Coalition prioritize in the Blueprint?
 - Comments/Answers
 - C: Super supportive in language from Senate report about role of government to play here, parallel and precedent when looking at DAC and Hydrogen hubs and demand program that was core to that. A little more parochial but in carbon management industry's interest to support these government demand side policies. Also supportive of CBAM and have good relationship with Senator Cassidy, have talked to his staff in some depth about this
 - C: Regarding procurement, have CDR Leadership Federal Development Act which we support, the biggest question I have is that we as a nation are \$34 trillion in debt and might not be realistic to expect to spend the money on procurement necessary to scale, not sure if this has bipartisan support or long-term staying power. Most projects have 20 year runway, wonder about staying power of this but moving 45Q to 20 instead of 12 might be nice. Also removing year or more operating requirement from LCA's for utilization could catalyze demand.

- A: Discussed both of these in tax discussion, well aligned with where we are there. Heard initial support on getting 20 years for 45Q included in blueprint, but like idea to frame some of those pieces to drive demand. Good thing to think about crossover of these topics when drafting Blueprint
- C: If you have direct pay with tax credit that is kind of federal procurement since federal government is providing value itself. That in and of itself is a big function of federal procurement and possibly an easier way to accomplish it. On CBAM, concept consistent with what currently exists in 45Q utilization in that in order to do a CBAM need to determine emissions intensity of overseas products. Besides political benefits of supporting CBAMs or foreign pollution fee very consistent with what Coalition has already advocated for over long period of time
 - C: Should we dive deeper on foreign pollution fee? Would love to hear thoughts, have talked at length about Cassidy bill and Whitehouse bill, probably couldn't endorse either. Probably would more take shape of high level principles like our permitting principles.
 - C: Spending a lot of time in EU on CBAM front, it's very complicated. Will be tough to negotiate with membership and really thorny issue.
 - C: Given that it will be difficult for Coalition to endorse either of these bills do you see value in high level principles?
 - C: Definitely, we don't know how election will turn out so good to inform new government. Still, very difficult road and can't imagine it wouldn't be even more difficult here
 - C: Would add we sent along a one pager on American competitive advantage on CBAM type policies and carbon reductions, could be good to familiarize yourselves with it

- If we said anything in the BP about CBAM it would likely be general and we'd think through some later staff time to discuss further as a group similar to what Coalition did with Permitting Principles
- C: I think there is an appetite for supporting more upfront procurement. Starts at 10s and hundreds of millions which is a rounding error in context of debt, don't want carbon management spending to be embroiled in conversation on spending and debt
- Q: Do folks think there's value in blueprint mentioning compliance markets, carbon accounting, and federal role in carbon accounting? While there may not be an established position do folks see a value add in trying to create a concrete policy ask here?
 - C: We are supportive of clean energy standards in general but understand that's likely a tricky space for entire Coalition. Might be good to include that if there is a compliance market, tacking on direct air capture may be helpful
 - C: I think affirming role for carbon dioxide removal is important, my general sense is that it's probably not worth real estate to concentrate on compliance. We align with viewpoint that compliance has fundamental role in long-term. You mentioned accounting and standards, I think that's worthwhile.
 - Q: Do folks see that as something that could turn into a type of principles for carbon accounting document?
 - C: Sounds very difficult to get consensus there. Have some language in prior blueprint, would be interested in pushing that a bit on federal role of carbon accounting. Are there other things we could be asking DOE or other agencies? Would be interested in hearing ideas from folks.
 - C: PROVE IT Act was introduced in both chambers, doesn't institute trade policy mechanisms but directs DOE to publish report comparing US products to international products. Wanted to throw that out for folks to digest and consider, see if it could potentially

be of interest to include in the blueprint this year as well

- **Next Steps**

- We will circulate notes from this meeting. Would love to hear 1-3 priorities from participants for next meeting.
 - Q: Is there a date to get this together by?
 - A: By October we really want to avoid making huge substantive changes to blueprint since want to be further along in drafting process. Will be sending follow up email today with date to submit feedback
- Will plan on furthering this discussion at our in-person October meeting unless anything pressing comes up
- Please use policy options submission form if you have any ideas pertaining to the topic of this group