

November 10, 2025

MEMORANDUM

TO: Carbon Capture Coalition

FROM: Hunter Johnston
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RE: Subpart RR Repeal and Section 45Q Implications

On September 16, 2025, the Environmental Protection Agency (“EPA”) published a proposed rule to repeal all aspects of the Greenhouse Gas (“GHG”) Reporting Program, including Subpart RR under which certain carbon capture and sequestration (“CCS”) projects report their emissions to qualify for the section 45Q tax credit.¹

In its proposed rule, the EPA acknowledged the use of GHG Reporting Program in other regulatory schemes, including for section 45Q tax credits, and recognized that repealing the GHG Reporting Program may require the Department of Treasury and the IRS (collectively, “Treasury”) to revise their regulations.

This memorandum provides the Coalition with a summary of the EPA GHG Reporting Program and its interaction with section 45Q. The memorandum further provides a list of short-term and long-term regulatory fixes for the Coalition to consider for preserving access to the section 45Q credit.

I. EPA GHG Reporting - Subpart RR Background

Currently, Subpart RR of EPA’s GHG Reporting Program, certain facilities, including Class VI wells, are required to report information on carbon dioxide received for injection, develop and implement an EPA-approved site-specific Monitoring, Reporting, and Verification (“MRV”) Plan, and report the amount of carbon dioxide geologically sequestered using a mass balance approach and annual monitoring activities.²

II. Section 45Q and EPA GHG Reporting

Under section 45Q, a taxpayer must demonstrate that it disposed of the captured carbon dioxide “in secure geological storage” as determined by regulations prescribed by the Secretary

¹ 90 Fed. Reg. 44,591 (Sep. 16, 2025), <https://www.govinfo.gov/content/pkg/FR-2025-09-16/pdf/2025-17923.pdf>.

² See 40 C.F.R. Part 98 Subpart RR.

of the Treasury in consultation with the EPA, the Department of Energy (“DOE”), and the Department of Interior (“DOI”).³

Treas. Reg. § 1.45Q-3(b) cross references the EPA’s GHG Reporting Program to incorporate Subpart RR’s requirements into the section 45Q tax credit program:

- For Class VI well operators, Treasury’s regulations require complying with the applicable Subpart RR requirements to qualify for the section 45Q tax credit.⁴
- For Class II well operators engaging in enhanced oil recovery (“EOR”) projects, Treasury’s regulations allow reporting under Subpart RR but also provide an alternative for Class II wells to report under the ISO 27916 standard.⁵

Unlike EOR projects that can rely on the ISO framework, Class VI wells are required to comply with Subpart RR. If the EPA repeals Subpart RR, Class VI wells would not have a clear, recognized method for monitoring and reporting to establish secure geological storage to claim the section 45Q tax credit.

If the EPA repeals Subpart RR, tax filing and administration will also be impacted. Taxpayers rely on the GHG Reporting Program to complete the IRS Form 8933 when claiming the section 45Q credit. Form 8933 requires an e-GGRT facility ID number to identify the sequestration facility. If the GHG Reporting Program is repealed, sequestration facilities — particularly Class VI wells — would no longer have an e-GGRT ID to report on the Form 8933.

III. Potential Fixes

EPA’s repeal of Subpart RR would undermine the operation of the section 45Q credit for Class VI wells engaging in long-term geological storage. If Subpart RR is repealed, Treasury will need to issue both short-term interim guidance and permanent updates to the section 45Q regulation.

A. Interim Short-Term Guidance

Treasury will need to issue interim guidance to allow taxpayers to claim the section 45Q credit for the 2025 tax year. This guidance could allow taxpayers to rely on the Subpart RR reporting data for the mass of carbon dioxide received, injected, produced, and any leakage that it planned to report to the EPA.

Such guidance will also be needed to address the fact that the EPA would not be certifying taxpayers’ Subpart RR reporting data. Treasury could allow taxpayers to self-certify the Subpart RR reporting data for the 2025 tax year and for any additional tax years until Treasury adopts an alternative framework.

³ Section 45Q(f)(2).

⁴ Treas. Reg. § 1.45Q-3(b)(1)(i)-(ii).

⁵ Treas. Reg. § 1.45Q-3(b)(2)(i)-(ii).

Treasury's interim guidance will also need to revise Form 8933 to accept alternative facility identifiers. Potential options for an alternative facility identifier could include: (i) the Class VI Underground Injection Control permit number that is issued under 40 C.F.R. Part 116; (ii) other EPA or state issued permitting identifiers; or (iii) a geospatial or location-based identification system.

B. Longer Term Regulatory Fixes

- Option 1: Adopt Existing Subpart RR Regulations: Treasury could provide continuity with the current GHG Reporting requirements required under Treas. Reg. § 1.45Q-3(b) by incorporating the current Subpart RR and MRV plan requirements, including the methodologies and calculations, directly into the Treasury regulations.
 - Under the current Treasury regulations, third-party certification of a project's secure geological storage through Subpart RR is not required, as the EPA approves the MRV plan under Subpart RR. If Subpart RR is repealed, the EPA will no longer certify the MRV Plan. Under Option 1, Treasury's regulations could require a taxpayer to obtain an accredited third-party certification to verify the taxpayer's methodologies, monitoring, and storage similar to the current EPA MRV plan approval and to Treas. Reg. § 1.45V-5. And similar to the section 45V regulations, the Treasury regulations could require the taxpayer to file the third-party certification with the taxpayer's return.
- Option 2: Develop an Alternative Compliance Mechanism: Treasury could incorporate the requirements described in Option 1 above and, in addition, provide taxpayers with a reporting mechanism substantially similar to ISO 27916. Option 2 could function similarly to the current Treas. Reg. § 1.45Q-3(b)(2) that allows enhanced oil recovery projects to report under Subpart RR or ISO 27916.
 - It is our understanding that Class VI wells would not benefit from potential changes to allow reporting under the current ISO 27916 standard because the current ISO standard does not contain a quantification standard applicable to geological storage. Therefore, Treasury would need additional time to modify the ISO standard for this purpose.
- Option 3: Establish a Process for New Federally Approved MRV Frameworks. Instead of reporting under Subpart RR, Treasury could issue regulations and establish a process for Treasury, in consultation with the DOE and EPA, to review and approve MRV frameworks similar to the EPA's current role approving MRV frameworks under Subpart RR.