CARBON CAPTURE COALITION

Key Carbon Management Provisions in Fiscal Year (FY) 2026 Senate Appropriations Bills

The Senate has made slow but continued progress on FY2026 spending bills, including the Interior, Environment, and Related Agencies appropriations bill, and the Energy & Water Development appropriations bill, which carry the bulk of annual funding for carbon management programs across government. The Senate Energy & Water bill included funding levels for carbon management technologies at the Department of Energy (DOE) total nearly **$150 million above** the levels provided in the House-passed counterpart, though still far below the Coalition's request of **at least** $492.2 million. A full breakdown of the proposed funding for carbon management technologies is contained in the table below. In addition, the bill text mirrors a provision included in the House-passed measure which would, if enacted, reprogram $1.5 billion in Carbon Dioxide Transport Infrastructure Finance and Innovation Act (CIFIA) program authorized and appropriated under the bipartisan Infrastructure Investment and Jobs Act (IIJA), to support nuclear technologies.

Separately, the bill provides continuity across the House and Senate versions of the bill, renaming the Office of Fossil Energy and Carbon Management (FECM) to the Office of Fossil Energy (FE) – restoring the nomenclature used under the first Trump Administration. Additionally, remaining in line with the House-passed measure, the bill reorganizes the Office of Fossil Energy accounting structure—core carbon management R&D programs now fall under an account titled "Coal and Carbon Utilization," signaling that the office is realigning priorities to be in line with those communicated by the White House.

The Senate FY26 Interior, Environment, and Related Agencies package included $5 million in sustained funding for the mission-critical Class VI injection wells at the Underground Injection Control program administered by the Environmental Protection Agency, as well as $1.2 million in funding to support education and training for Class VI program staff—level funding when compared to FY24/25 appropriations packages. This funding will be vital to ensure adequate permitting capacity at the federal and state levels necessary for the buildout of safe and permanent carbon storage. In addition, targeted report language continued to reinforce the importance of providing clarity, transparency, and efficiency in the Class VI permitting process.

Still, much work remains to be done as Congress works toward the January 31 continuing resolution deadline. We expect the two chambers to begin conference discussions as they work through the remaining funding bills after they return from the December holiday recess. As these negotiations continue, Coalition members, staff, and consultants will continue to work in tandem to preserve the important federal investments of the last several years in critical carbon management funding. If you have any questions, please contact the Coalition's director of government affairs, Madelyn Morrison (mmorrison@carboncapturecoalition.org).

Office of Fossil Energy (FE) Proposed Funding					
Coal and Carbon Utilization	**FY2025 Actual**	**FY2026 President's Budget Request**	**FY2026 House Bill**	**FY2026 Senate Bill**	**FY2025 Actual vs FY2026 Senate Bill**
Point-Source Carbon Capture	$100,000,00	$50,000,000	$65,000,000	$100,000,000	--
Carbon Dioxide Removal	$0	$4,000,000	$15,000,000	$72,000,000	+72,000,000
Carbon Utilization	$52,500,000	$30,000,000	$35,000,000	$52,000,000	-$500,000
Carbon Transport & Storage	$92,000,000	$50,000,000	$50,000,000	$83,700,000	-$9,300,000
Advanced Energy Systems (formerly Hydrogen with Carbon Management)	$85,000,000	$75,000,000	$85,000,000	$85,000,000	--
CM Policy, Analysis & Engagement	$0	--	--		--
TOTAL	$329,500,000	$209,000,000	$250,000,000	$393,200,000	**+63,700,000**

Senate Energy & Water Development FY2026 Appropriations Bill

Bill report
Bill text

Department of Energy (DOE)

Notable Bill Text:

- The bill text includes a provision that would **reprogram $1.5 billion** in unobligated Carbon Dioxide Transport Infrastructure Finance and Innovation program funding, authorized and appropriated under the bipartisan Infrastructure Investment and Jobs Act (IIJA) to instead support nuclear technologies.

- Sec. 316 of the bill text would create significant new requirements for DOE if it wants to cancel grants on the basis that they "no longer effectuate program goals or agency priorities" (i.e. the cause articulated in OMB's Uniform Guidance for Grants and Agreements, housed at 2 CFR 200.340(a)(4)).
    - Notably, Sec. 316 would not help restore grants already cancelled, and would not provide new protections for any awards made under the Inflation Reduction Act.

Notable Report Language:

Office of Fossil Energy

- The Committee supports the Department's Carbon Capture, Utilization, and Storage [CCUS] programs authorized by Division Z of Public Law 116–260 and Division D of Public Law 117–58, both of which enable significant private sector investments in CCUS technology and deployment. The Committee specifically supports programs authorized in these laws that promote the research, development, testing, and demonstration of CCUS technologies on coal and natural gas power generation facilities, as well as manufacturing and industrial facilities. **The Committee directs the Department to continue implementing such programs in an efficient manner that meets Congressional intent while also providing appropriate oversight of program investments.**
- The Committee encourages the Department to develop, demonstrate, and deploy direct air capture [DAC] technology by working collaboratively with private sector entities prepared to scale up these technologies through the Regional Direct Air Capture Hubs Program. This program catalyzes commercial-scale DAC technologies and establishes the U.S. as the global leader in DAC, and it supports the build-out of infrastructure for increased energy production and all carbon capture, utilization, and sequestration pathways.

Hydrogen & Solid Oxide Fuel Cells

- The recommendation includes $85,000,000 for the research, development, and demonstration related to hydrogen production with fossil fuel feedstocks. Within available funds, the Committee recommends no less than $30,000,000 for the solid oxide fuel cell program. The Department is encouraged to fund technologies such as steam methane reforming with carbon capture, autothermal reforming with carbon capture, sorption enhanced steam methane reforming, natural gas pyrolysis, thermal pyrolysis, catalytic pyrolysis, direct hydrogen production with chemical looping, and any other technologies deemed relevant by the Secretary. Further, the Department shall continue its efforts on Fossil Energy Based Production, Storage, Transport and Utilization of Hydrogen. This program includes activities related to: Net-Zero or Negative Carbon Hydrogen Production from Modular Gasification and Co-Gasification of Mixed Wastes, Biomass, and Traditional Feedstocks; Solid Oxide Electrolysis Cell Technology Development; Carbon Capture; Advanced Turbines; Natural Gas-Based Hydrogen Production; Hydrogen Pipeline Infrastructure; and Subsurface Hydrogen Storage.

Coal and Carbon Utilization

- The Committee recognizes the environmental and economic benefits of developing carbon capture, utilization, and storage [CCUS] technologies as its further deployment continues to drive down project cost. The Committee is concerned about the cost of CCUS projects and directs the Department to prioritize CCUS funding for projects and research that aim to reduce the cost of these technologies for commercial deployment.

- The Committee previously has directed the Department to support pilot and demonstration activities for chemical looping hydrogen production. In fiscal year 2026, the Department shall initiate a commercial demonstration chemical looping project using natural gas, coal, or biomass to validate the technical, operational, and economic advantages of chemical looping for hydrogen production. The Committee is encouraged the Department issued a Notice of Funding Opportunity, DE–FOA–0003473 in December 2024, with the intent to award multiple large-scale technology pilot projects and commercial demonstrations. The Committee notes that the Department has for many years supported early-stage research and development of chemical looping, which has led to successful small-scale demonstrations of the technology.

  <u>Point-Source Capture:</u>

- Within available funds, the Committee recommends up to $25,000,000 to support front-end engineering and design studies, pilot projects, and demonstration projects for all applications of carbon capture technologies. The Department also is encouraged to focus on point source capture from industrial sources.

- The Committee recommends up to $25,000,000 for carbon capture test centers, as authorized in section 4002(e) of the Energy Act of 2020.
- The Committee directs full funding for the National Carbon Capture Center, which is a critical path for testing and scaling up new carbon capture technologies. Further, within available funds, the Committee provides up to $25,000,000 for gas post-combustion capture and up to $25,000,000 for coal and gas pre-combustion capture. The Committee recognizes the carbon capture demonstration and pilot programs enacted in Public Law 117–58 will complement the ongoing technology development within the Department's research and development portfolio.

Carbon Dioxide Removal:

- The Committee directs the Department to continue carbon removal projects consistent with the objectives established in section 969D(j)(2)(B) of the Energy Policy Act of 2005, to include those that ''demonstrate the capture, processing, delivery, and sequestration or end-use of captured carbon'' by absorbing carbon directly from the atmosphere or upper hydrosphere. Consistent with prior Committee direction, the Department shall include in scope projects that remove carbon from the atmosphere or upper hydrosphere for the competitive purchasing pilot program. Carbon Storage:

- The Committee provides not less than $72,000,000 for research, development and demonstration of diverse carbon dioxide removal [CDR] technologies and approaches. The Committee supports initiatives to improve monitoring, reporting, and verification for CDR technologies. Within these funds, the Committee provides not less than $45,000,000 for purchasing efforts initiated by the CDR Purchase Pilot Prize, as directed in Energy and Water Development and Related Agencies Appropriations Act, 2023, and consistent with Division D of Public Law 117–328. In carrying out the pilot prize, the Committee recommends the Secretary prioritize no fewer than four different carbon removal technology pathways and emphasize methods that minimize removal reversibility and maximize storage duration. The Committee provides not less than $4,000,000 to develop measurement, monitoring, reporting, and verification, including to inform the pilot prize, offtake agreements, and other Federal incentives.

- The Committee further directs the Department to continue to coordinate with the National Oceanic and Atmospheric Administration on marine carbon dioxide removal research and development.

Carbon Utilization:

- The Committee supports the research, development, and demonstration program for carbon utilization to advance valuable and innovative uses of captured carbon, including bio-catalyzed, electrochemical, photochemical, thermochemical, and photosynthetic conversion of carbon dioxide to higher-value products such as chemicals, plastics, building materials, and fuels. The Committee encourages research and demonstration of carbon conversion in durable building materials as well as the evaluation of carbon oxide utilization pathways for consideration under section 45Q of title 26 CFR.

- The Committee supports expanded recipient eligibility to include Tribal governments and organizations, institutions of higher education, and non-profits when implementing section 40302 of Public Law 117–58.

- Within available funds, the Committee directs the Department to fund two coal-derived carbon products technologies demonstration programs, which were authorized under section 4004 of the Energy Act of 2020.
- Within available funds, the Committee recommends not less than $10,000,000 for the research, development, and demonstration of reactive carbon capture [RCC] technologies. The Department is directed to provide competitive grants and cooperative agreements with a particular focus on supporting RCC projects that mineralize carbon emissions into solid waste streams or by-products from industrial sites, including coal ash, iron/steel slag, and mine tailings. The Department is encouraged to work cooperatively with industry, universities, and other appropriate parties.

Carbon Transport & Storage:

- The Committee continues to support the CarbonSAFE Initiative. The Committee directs the Department to issue funding opportunities with remaining Infrastructure Investment and Jobs Act funding for CarbonSAFE projects and to continue advancing projects through all four phases of CarbonSAFE. Within 90 days of enactment, the Department is directed to brief the Committee on its implementation of CCUS programs funded by Public Law 117–58 and how the Department will operate the programs in accordance with congressional intent.

- The Committee recognizes the successful work of the Regional Carbon Sequestration Partnerships and the important role they play in supporting the regional development of carbon capture, utilization, transportation, and storage. The Committee supports an expanded focus on infrastructure development strategies through continued regional geological basin characterization to reduce uncertainties, collect data, and facilitate and inform regional permitting and policy challenges. The Department is again directed to fulfill prior commitments to the Regional Carbon Sequestration Partnerships. The Committee provides not less than $30,000,000 in support of a multiyear solicitation to competitively select multiple regional geologic basin partnerships. The competitive solicitation shall encourage extensive engagement with CCUS stakeholders, including those that emit, transport, utilize, and store carbon dioxide, as well as State, Tribal and local governments, and communities. Within available funds, the Committee recommends up to $26,000,000 for advanced storage research and development activities, including artificial intelligence/machine learning tools and storage integrity and assurance. Within available funds, the Department is directed to study the use of carbon dioxide in enhancing oil and natural gas production in shale formations.

- Within available funds, the Committee recommends up to $25,000,000 for the Carbon Sequestration Research and Geological Computational Science Initiative, as authorized in section 10102(f) of the CHIPS and Science Act of 2022. In carrying out this Initiative, the Committee recommends the Department coordinate and leverage existing activities across the Department, to include the Office of Science, the Office of Fossil Energy, and the United States Geological Survey.

Senate Interior, Environment, and Related Agencies FY2026 Appropriations Bill

Bill report
Bill text

Environmental Protection Agency

Notable Report Language:

Environmental Programs and Management

Ensure Safe Drinking Water:

- The Committee is concerned by the long processing time for Underground Injection Control Class VI well applications and the small number of final decisions approved by the Agency. The Committee urges greater priority be given to these permits within the Agency, including reviewing State applications for primacy.

- The Committee recommends **$5,000,000** for the Agency's continued work within the Underground Injection Control [UIC] program related to Class VI wells for geologic sequestration to help develop expertise and capacity at the Agency and process primacy applications. In addition, the Committee recommends **$1,200,000** to support Class VI regulator education and training programs in conjunction with States, or other eligible entities such as an association of States.
  Note: The Senate FY26 Interior, Environment, and Related Agencies Committee report includes level funding for work pertaining to Class VI wells at $5M, and level funding for regulator education and training.

- The Agency is directed to provide an update to the Committee on the program direction regarding Underground Injection Control Wells contained in Senate Report 118–83.
  Note: The Senate FY24 Interior, Environment, and Related Agencies Committee report includes language that directs the EPA to provide an annual report to the Appropriations Committees on the status of Class VI injection well primacy applications; this is also reflective of an FY24 CCC report language request.