

Key Carbon Management Provisions in Fiscal Year (FY) 2026 Minibus Package

On January 5, the House and Senate Appropriations Committees released the text and corresponding report of a three-bill FY2026 minibus package, which included the final bill text for both the FY2026 Energy and Water Development, and Interior, Environment, and Related Agencies appropriations bills. This package is the result of bipartisan negotiations between the two congressional chambers. The House passed the package in a series of votes on January 8, and the measure now awaits final action from the Senate.

The package carries the bulk of annual federal funding for carbon management programs across government, including funding for foundational research, development, demonstration, and deployment of these technologies. While this compromise package represents a more favorable outcome for clean energy technologies broadly at the US Department of Energy (DOE) when compared to the FY2026 House bill, it is essential to understand the nuances behind the numbers. As you can see in the funding table below, the final bill reflects a **reduction of \$20.5 million** for core carbon management programs administered through DOE, including point-source carbon capture and carbon transport and storage program areas, when compared to FY2025 DOE actual spending by the Trump Administration. **However, when compared to the last full appropriations bill enacted by Congress, this package reflects a \$119 million reduction in core carbon management programs below FY2024-enacted levels.**

NOTE: As a reminder, Congress passed a full-year continuing resolution (CR) for FY2025, which reflected program levels enacted under the FY2024 minibus. Following the passage of the CR, the Trump Administration released an FY2025 DOE spend plan, which shuffled funding around within the Office of Fossil Energy. Nearly \$100M previously appropriated for core R&D carbon management programs was reprogrammed to support critical minerals and other oil and gas programs at FE. **In short, while the final bill reflects a \$20.5 million reduction in funding compared to the DOE's FY2025 spend plan, when compared to the last congressionally appropriated program levels, it more accurately reflects a \$119 million reduction in core carbon management funding.**

In addition to base appropriations funding cuts, the bill **repurposes roughly \$3.5 billion in unobligated carbon management funding enacted under the IJJA** at DOE to support other program areas at the department, including:

- \$1.5 billion from the Carbon Dioxide Transportation Infrastructure Finance and Innovation Program (CIFIA)
- \$1.04 billion from Regional Direct Air Capture Hubs
- \$950 million from Carbon Capture Large-Scale Pilot Projects and/or Carbon Capture Demonstration Projects

While the bill was lackluster in terms of broader carbon management funding, it does provide \$45 million for the carbon dioxide removal competitive purchasing pilot prize, originally authorized under the FY2023 omnibus. This funding sends a strong signal to the private sector to commercialize CDR solutions, in turn accelerating cost reductions and catalyzing innovation. Additionally, Congress provided \$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 \$1.8 million in funding to support education and training for Class VI program staff—an increase over FY2024/25 levels. 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 management storage.

Annual federal funding is critical for realizing necessary economies of scale for the full value chain of carbon management technologies, and the FY2026 minibus has reinforced the necessity that we must continue to advocate for robust annual funding for important RDD&D functions. As we look ahead to the next funding cycle, Coalition members, staff, and consultants will continue to work in tandem to restore and build upon the important federal investments of the last several years to realize the economywide deployment of carbon management technologies.

| FY2026 Office of Fossil Energy Proposed Funding | | | | | | | | |
|---|---|------------------------|-----------------------------------|----------------------|----------------------|----------------------|---|------------------------------------|
| Coal and Carbon Utilization | FY2024 Enacted / FY2025 Continuing Resolution | FY2025 Actual Spending | FY2026 President's Budget Request | FY2026 House Bill | FY2026 Senate Bill | FY2026 Conference | FY2025 Continuing Resolution vs FY2026 Conference | FY2025 Actual vs FY2026 Conference |
| Point-Source Carbon Capture | \$127,500,000 | \$100,000,00 | \$50,000,000 | \$65,000,000 | \$100,000,000 | \$75,000,000 | -\$52,500,000 | -\$25,000,000 |
| Carbon Dioxide Removal | \$70,000,000 | \$0 | \$4,000,000 | \$15,000,000 | \$72,000,000 | \$45,000,000 | -\$25,000,000 | +45,000,000 |
| Carbon Utilization | \$52,500,000 | \$52,500,000 | \$30,000,000 | \$35,000,000 | \$52,000,000 | \$50,000,000 | -\$2,500,000 | -\$2,500,000 |
| Carbon Transport & Storage | \$93,000,000 | \$92,000,000 | \$50,000,000 | \$50,000,000 | \$83,700,000 | \$59,000,000 | -\$34,000,000 | -\$33,000,000 |
| Advanced Energy Systems | \$85,000,000 | \$85,000,000 | \$75,000,000 | \$85,000,000 | \$85,000,000 | \$80,000,000 | -\$5,000,000 | -\$5,000,000 |
| TOTAL | \$428,000,000 | \$329,500,000 | \$209,000,000 | \$250,000,000 | \$393,200,000 | \$309,000,000 | -\$119,000,000 | -\$20,500,000 |

****NOTE:** 'FY2025 Actual' represents the FY2025 spending tables released in March 2025 by the Trump Administration and **does not** reflect funding appropriated by Congress in the year-long continuing resolution for FY2025

Energy & Water Development FY2026 Appropriations Bill

Department of Energy (DOE)

Notable Report Language:

Cross-cutting initiatives

Carbon Dioxide Management:

- The agreement supports research, development, demonstration, and deployment of diverse carbon dioxide management technologies and approaches, to be appropriately coordinated between the Office of Fossil Energy, the Office of Science, the Office of Energy Efficiency and Renewable Energy, and other relevant program offices or agencies.

- The Department is urged to expand the geographic reach of existing energy innovation hubs by seeking new opportunities to partner with state, local, and private partners. The Department is encouraged to focus on energy security and critical technologies, with a particular emphasis on industrial power and carbon management & utilization, and to coordinate activities within the offices of Fossil Energy, Energy Efficiency and Renewable Energy, and Science.

Fossil Energy:

- Within available funds, the agreement provides up to \$25 million for the carbon Sequestration and Geological Computational Science Initiative, as authorized under the CHIPS and Science Act of 2022.
- The Department is encouraged to create a national test loop center to bolster American competitiveness in manufacturing low-carbon products as well as on carbon dioxide transportation and conversion. The Department is further encouraged to work with institutions that have existing infrastructure and carbon storage capacity.

Coal and Carbon Utilization

- *Point-Source Capture*—The agreement includes no direction on reactive carbon capture within the Point-Source Capture program.
- The agreement provides up to **\$25 million** to support front-end engineering and design studies, pilot projects, and demonstration projects, including university-based research involving pilot demonstration activities utilizing coal, for all applications of carbon capture technologies.
- The agreement provides up to **\$25 million** for carbon capture test centers as authorized in the Energy Act of 2020.
- The agreement provides up to **\$10 million** for gas post-combustion capture and up to **\$10 million** for coal and gas pre-combustion capture.
- The Department is encouraged to focus on point source capture from industrial sources.
- *Carbon Dioxide Removal*—The Department is directed to continue carbon removal projects consistent with the objectives established in the Energy Policy Act of 2005, including 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. Further, the Department shall include in scope projects that remove carbon from the atmosphere for the competitive purchasing pilot program.
 - The agreement provides not less than **\$45 million for purchasing efforts initiated by the CDR Purchase Pilot Prize** as directed in the FY2023 Act. In carrying out the pilot prize, the agreement recommends the Department prioritize no fewer than four different carbon removal technology pathways and emphasize methods that minimize removal reversibility and maximize storage duration. **Within available funds for the CDR Purchase Pilot Prize, the agreement includes not less than \$4 million** to develop measurement, monitoring, reporting, and verification, including to inform the pilot prize, offtake agreements, and other federal incentives.
- *Carbon Utilization*—Within available funds, the Department is directed to fund two coal-derived carbon products technologies demonstration programs, which were authorized under the Energy Act of 2020. **Within available funds, the agreement provides not less than \$10**

million for the research, development, and demonstration of reactive carbon capture 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 conduct research and demonstration activities of carbon conversion in durable building materials as well as the evaluation of carbon oxide utilization pathways for consideration under federal Section 45Q.
- **Carbon Transport and Storage**—The Department is directed 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 Committees on its implementation of CCUS programs funded by IJJA and how the Department will operate the programs in accordance with congressional intent.
 - The Department is directed to fulfill prior commitments to the Regional Carbon Sequestration Partnerships. **The agreement provides not less than \$25 million** in support of a multiyear solicitation to competitively select multiple regional geologic basin partnerships.
 - **Within available funds, the agreement provides up to \$26 million** for advanced storage research and development activities, including artificial intelligence/machine learning tools and storage integrity and assurance. The Department is directed to study the use of carbon dioxide in enhancing oil and natural gas production in shale formations.
 - The agreement 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 changes.

Interior, Environment, and Related Agencies FY2024 Appropriations Bill

Environmental Protection Agency

Notable Report Language:

Environmental Programs and Management

Ensure Safe Water:

- Within available funds, **the agreement provides no less than \$5 million 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. These funds should be used by the Agency to expeditiously review and process Class VI permits and primacy applications from States and Tribes.
- In addition, the agreement provides \$1.8 million to support Class VI regulator education and training programs in conjunction with States or other eligible entities such as an association of States *Note: This is a \$600,000 increase over FY24/FY25-enacted levels*