CARBON CAPTURE IMPACT

**Maintaining a Strong American Carbon Management Industry**

**2026 Carbon Capture Impact Hill Day**

**Talking Points**

## About Carbon Capture Impact / the Carbon Capture Coalition

- Carbon Capture Impact is the advocacy arm of our allied organization, the Carbon Capture Coalition.
    - The Carbon Capture Coalition is a nonpartisan collaboration between more than 100 organizations, working to lay the groundwork for the necessary portfolio of federal policies to enable economywide, commercial-scale deployment of carbon management technologies.
        - This includes carbon capture from industry and power, removal through direct air capture, reuse (utilizing captured $CO_2$ as a feedstock to manufacture valuable products), and scaling necessary infrastructure to transport and store captured $CO_2$.
- Carbon Capture Impact brings together more than 70 organizations across three primary pillars of the carbon management stakeholder community: wide-ranging contingent of companies and industry voices, policy organizations, and industrial, energy, and construction labor unions.
- Despite representing diverse sectors, our membership shares a common vision: that carbon management technologies become a widely deployed emissions reduction strategy across the U.S. economy.
- Our mission is to work with bipartisan lawmakers and federal agencies to enact and implement the policies needed to enable the responsible deployment of these technologies nationwide.
- Carbon management represents an important area of bipartisan alignment because it supports economic growth, domestic energy production, and emissions reductions simultaneously.
- **This group operates on a consensus basis. This means that our members agree on the critical impact carbon management technologies have on the economy, environment, and America's global position in technology innovation, and align on our top policy priorities.**

## Carbon Management Federal Policy Framework

**Key federal agencies:**

- Deploying carbon management technologies at scale requires coordination across multiple federal agencies:
    - The **Department of Energy (DOE)** supports research, development, and large-scale demonstrations of carbon capture and carbon removal technologies. These programs help advance early-stage technologies and reduce risk for first-of-a-kind projects.
    - The **Department of the Treasury**, through the Internal Revenue Service, administers the 45Q tax credit, which serves as the primary economic driver for private-sector investment in carbon capture and storage.

- The **Environmental Protection Agency (EPA)** oversees the Class VI Underground Injection Control program, which regulates geologic storage of carbon dioxide to ensure safe and permanent sequestration.
- The **Department of Transportation**, primarily through the Pipeline and Hazardous Materials Safety Administration (PHMSA), regulates the safe transport of carbon dioxide through pipeline infrastructure.

**Evolution of Carbon Management Federal Policy:**

- Federal policy supporting carbon management has evolved significantly over the past two decades.
  - Congress first established the **45Q tax credit in 2008**, creating a financial incentive for capturing and storing carbon dioxide.
  - In 2018, the **FUTURE Act** significantly expanded and modernized the credit by increasing credit values, expanding eligibility, and creating clearer pathways for different types of carbon management projects—including utilization and direct air capture.
  - The **Energy Act of 2020** further strengthened the federal policy framework by authorizing key carbon management research and demonstration programs within the Department of Energy.
  - Subsequent investments through the **Infrastructure Investment and Jobs Act (IIJA)** provided more than **$12 billion for carbon management programs**, enabling large-scale demonstration projects, regional infrastructure development, and technology innovation.
  - The **Inflation Reduction Act of 2022** further expanded the 45Q credit by increasing credit values, lowering capture thresholds to expand eligibility, and allowing direct pay and transferability options that help unlock financing for projects.
  - Most recently Congress upheld the utility of the 45Q tax credit through its preservation under the **One Big Beautiful Bill Act** and creating credit level parity for carbon storage and carbon utilization projects.
- As a result of these bipartisan policy developments, the number of carbon management projects announced in the United States has grown dramatically—from just a few dozen projects earlier in the decade to **more than 330 announced and operating projects across multiple sectors today.**

## The Federal Framework is Driving Investment and Deployment

- Three core elements of federal policy are driving investment and deployment in the US today:
  - The first is the **45Q tax credit**, which provides a performance-based incentive for capturing and securely storing carbon dioxide.
  - The second is **EPA's Class VI well permitting program**, which governs the geologic storage of carbon dioxide and ensures that captured carbon is safely and permanently stored underground.
  - The third is **DOE research, development, demonstration, and deployment programs**, which help bring emerging technologies to market and support large-scale pilot projects.
- Together, these policies provide a **comprehensive framework that supports both technological innovation and commercial deployment**.

- Importantly, this framework also leverages private-sector investment. Federal incentives and programs help reduce risk for early projects, allowing private capital to scale deployment.
- The existing federal policy framework is already generating significant economic activity.
    - Since 2016, project announcements have translated into approximately **$89 billion in combined federal and private investment** across the country.
    - These investments are supporting the construction of new industrial infrastructure, advancing technology innovation, and creating high-quality jobs in engineering, construction, manufacturing, and operations.
- Maintaining this investment momentum is critical for ensuring that the United States remains a **global leader in carbon management technologies** while also strengthening domestic supply chains and industrial competitiveness.

## History of Coalition Efforts on the Federal Section 45Q Tax Credit

- Historically, our membership has been laser-focused on ensuring available incentive structures are sufficient to scale the deployment of carbon management technologies.
- The federal Section 45Q tax credit is the foundational federal policy mechanism to incentivize the full value chain of carbon management technologies; it is meant to close the cost gap between levels of financing available for project deployment and the costs to develop carbon management projects across sectors.
- The organizations involved in Impact and the Coalition have been instrumental in building bipartisan support for 45Q, and our members were central in advocating for the restructuring of the credit in the 2018 FUTURE Act, subsequent enhancements made to the credit in 2022, and preserving the utility of the credit under the One Big Beautiful Bill Act.

## Current Challenges

- Despite significant progress, several policy and regulatory challenges could slow the continued deployment of carbon management technologies.

These include:

    - Regulatory uncertainty related to the Greenhouse Gas Reporting Program
    - Economic pressures affecting the value of the 45Q tax credit
    - Reduced federal support for DOE carbon management projects
    - Permitting and infrastructure challenges related to $CO_2$ storage and transport

- Addressing these challenges will help ensure that the United States can maintain its leadership position in carbon management innovation and deployment.

### Greenhouse Gas Reporting Program (GHGRP)

- The **Greenhouse Gas Reporting Program (GHGRP)** plays a critical role in the implementation of the 45Q tax credit.
- Under current law, companies rely on GHGRP reporting requirements to measure and verify the mass of carbon dioxide captured and stored.

- This reporting framework provides the data necessary for taxpayers to substantiate their eligibility for the 45Q credit.
- GHGRP also helps ensure transparency and accountability by allowing regulators and the public to track emissions reductions and verify that taxpayer-supported incentives are delivering real climate benefits.
- If the GHGRP were repealed, it would create substantial regulatory uncertainty for project developers and investors who rely on this reporting framework to claim the 45Q tax credit.

***Ask: Please make member-level contact with EPA Administrator Lee Zeldin's office to share your concern with a full repeal of the GHGRP and its impacts on the carbon management industry.***

**45Q Credit Values Falling Short**

- The current economics for project deployment are extremely challenging due to a combination of inflationary pressures on raw materials and components, labor, higher interest rates for securing capital, and supply chain shortages.
    - This is particularly true in sectors that have higher costs to deploy carbon management technologies, which include coal and natural gas-fired power generation, diverse industrial sectors including steel, cement, basic chemicals, and fertilizer, and capturing CO2 directly from the atmosphere.
- Between 2020 and 2024, prices of basic commodities, equipment, metals, construction labor, and engineering contractors skyrocketed, increasing between 30 and 40 percent across heavy construction and capital equipment sectors.
    - At the same time, high inflation rates from 2020 to 2022, coupled with rising rates to borrow capital, dramatically shifted the economic feasibility of energy and industrial project deployment, affecting both capital goods costs and energy prices.
    - As a result, the cost to deploy carbon management technologies, even with higher 45Q credit levels, changed rapidly over a short period of time.
- While adjusting the credit appropriately to address inflation's significant erosion of the credit value is essential to prevent further erosion and sustain projects already in the development pipeline, it is not sufficient to enable broader deployment across sectors.

**Headwinds at DOE**

- Federal research, development, demonstration, and deployment funding has also faced headwinds at DOE in recent years.
- In 2025, DOE canceled multiple clean energy projects, including several carbon management initiatives.
    - Approximately **$1.7 billion in obligated funding** was associated with those cancellations.
- The cancellation of these undermines the strong and sustained bipartisan intent of Congress to demonstrate and deploy these technologies at commercial scale. These projects have already passed rigorous DOE technical review and were funded through the Infrastructure Investment and Jobs Act and annual appropriations with strong bipartisan support.
    - Despite these proposed cancellations, these technologies are not dead – in fact, they are accelerating both in the US and globally. But without a clear and consistent federal framework that works together to catalyze deployment, we risk billions of dollars in

investments in local economies and communities. Furthermore, terminating these projects provides companies and investors the opportunity to take their capital, jobs, and innovation to countries like China, Canada, and nations in the EU that are offering long-term certainty.
    - Carbon management remains essential to US energy reliability, industrial competitiveness, and preserving family-sustaining jobs. Congress should reaffirm its commitment by ensuring DOE implements the programs as intended and maintains stable support for the next generation of carbon management projects.
- In addition, roughly **$3.5 billion in previously allocated funding** for carbon management has been reprogrammed to other technology areas in recent funding cycles.
- These changes create uncertainty for project developers and risk slowing technological innovation.
- Maintaining consistent support for carbon management RDD&D is essential for advancing new technologies and ensuring that the United States remains competitive in this emerging global industry.

**Permitting Hurdles**

- Permitting challenges remain one of the most significant barriers to project deployment.
- Class VI injection wells, used for the geologic storage of carbon dioxide, can face lengthy review timelines due to the complexity of the permitting process—ultimately delaying a project's ability to reach Final Investment Decision and become operations.
- While several states have recently received Class VI primacy authority, those states still need sustained resources and staffing to develop robust permitting programs.
- In addition, the United States currently lacks a consistent federal framework for $CO_2$ pipeline siting and permitting, resulting in a patchwork of state-level regulations.
- Improving permitting efficiency while maintaining strong environmental protections will be critical for enabling large-scale deployment of carbon management infrastructure.

## Maintaining a Strong American Carbon Management Industry

- Maintaining a strong American carbon management industry will require continued bipartisan collaboration and a stable policy environment.
- Congress can help ensure continued deployment by supporting:
    - A durable and stable 45Q framework that enables private-sector investment
    - Regulatory certainty for project developers and investors
    - Consistent funding for DOE research, development, and demonstration programs
    - Improvements to Class VI permitting efficiency and $CO_2$ infrastructure development
    - Continued bipartisan engagement on carbon management policy

With the right policies in place, carbon management can deliver significant emissions reductions while supporting American industry, economic growth, and energy leadership.