CARBON CAPTURE IMPACT

Carbon Capture Impact

Post-Election Briefing: Outlook and Priorities for the 120th Congress

Meeting Summary

Carbon Capture Impact convened members for a post-election briefing on the political and congressional outlook for the 120th Congress and the implications for federal carbon management policy. KDCR Partners provided an overview of the election results and anticipated congressional dynamics, including changes in committee leadership, emerging legislative priorities, and the outlook for the incoming Congress.

Impact staff also discussed the legislative strategy for the remainder of the 119th Congress and the transition into the 120th Congress. Discussion focused on continued efforts to advance a 45Q marker bill, protect federal carbon management investments through FY2027 appropriations, and pursue opportunities to advance permitting reform. Staff also outlined plans to expand congressional education and engagement, particularly with incoming Democratic committee leaders and new members of Congress.

Important Resources

- Post-Election Briefing Slides

Key Takeaways

- **Congressional engagement:** More than 20percent of Congress will consist of new members, creating an important opportunity for education and relationship-building. Impact will elevate engagement with the incoming Democratic majority while maintaining relationships with Republican offices and existing champions.
- **Affordability and energy reliability:** Impact will emphasize that climate progress and affordability are complementary priorities. Messaging will focus on carbon management's role in supporting reliable energy, domestic industry and manufacturing, and workforce opportunities.
- **45Q:** Impact continues laying the groundwork for a 45Q marker bill, with significant interest from a Senate Democratic office. A credit increase, particularly to better incentivize higher-cost technology sectors and address inflation's erosion of the current $85-per-ton credit, remains a central consideration.
- **Impact member resources**: Impact staff is working on resources to complement Impact's legislative priorities for the 120th Congress, including key messaging and strategy documents.

Notes

Political & Congressional Outlook

KDCR Partners provided an overview of the post-election political landscape and anticipated changes in the 120th Congress. The incoming Congress will present a different political environment for federal energy and environmental policy as Democrats will regain majorities in both chambers. However, the Senate's 60-vote threshold will continue to present a significant hurdle for major partisan legislation.

More than 20% of the 120th Congress will be new members, creating an opportunity for Impact to educate incoming lawmakers and their staff on carbon management technologies, their economic benefits, and their role in meeting the growing demand for clean energy and products.

Committee Leadership and Congressional Dynamics

Several anticipated committee leadership changes could influence carbon management policy and congressional oversight:

- **Senate Environment and Public Works:** Senator Jeff Merkley (D-OR) is expected to assume the chairmanship following Senator Sheldon Whitehouse's (D-RI) anticipated move to chair the Senate Judiciary Committee. Merkley has an established background in environmental policy and existing relationships with carbon management stakeholders, but has historically held a lukewarm view of carbon management technologies.
- **Senate Energy and Natural Resources:** Senator Dave McCormick (R-PA) is expected to become the committee's leading Republican as Senator Mike Lee (R-UT) terms out. His ability to work with Democrats on energy issues could create opportunities for bipartisan engagement.
- **Senate Appropriations:** Senator Lisa Murkowski (R-AK) is expected to become the committee's leading Republican amid a potential challenge from Senator Jerry Moran (R-KS).
- **House Energy and Commerce:** Leadership at the full committee level is not expected to change significantly, although there may be movement within the Energy Subcommittee.
- **House Ways and Means:** Potential changes in leadership of the Tax Subcommittee could create new opportunities and relationships for engagement on 45Q and other federal tax priorities.

Committee ratios and final leadership assignments will be determined as the new Congress organizes.

Congressional Outlook and Implications for Energy and Climate Policy

1. Affordability will drive the Democratic agenda.

Democratic leadership is expected to prioritize affordability proposals addressing healthcare, utilities, gasoline, and household costs. Energy affordability will be a particularly important issue, with growing scrutiny of electricity prices and the impact of large energy consumers, including data centers.

- Policymakers are likely to examine how data center development affects electricity rates, grid infrastructure, water resources, and local communities.
- Proposals could include stronger ratepayer protections, changes to utility regulation, and expanded consumer assistance programs, including LIHEAP.
- While some members may advocate for more restrictive data center policies, there may also be opportunities to demonstrate how reliable, lower-emissions energy technologies can support growing electricity demand.
- Carbon management stakeholders should emphasize the role of carbon capture in supporting reliable energy supplies, maintaining industrial competitiveness, and reducing emissions without compromising affordability.

2. Permitting reform and energy infrastructure will remain important.

Permitting reform is expected to remain a priority, particularly if current legislative negotiations do not produce an agreement during the lame-duck session. Members of both parties recognize the need to improve the development of energy infrastructure, although differences remain over the scope and approach.

For the carbon management industry, continued engagement will be important to advance policies that address barriers to CO_2 pipeline development, Class VI permitting timelines, and the broader infrastructure needed to support commercial deployment.

3. Congressional oversight of DOE and federal energy programs will increase.

Democrats are expected to closely examine DOE decisions involving frozen, canceled, or reprogrammed funding, including previously awarded energy and carbon management projects.

- DOE grant cancellations and funding decisions are likely to receive oversight attention.
- There may be efforts to revisit funding priorities, particularly where Democrats believe resources have been redirected toward other energy technologies.
- However, significant new funding for previously established programs is unlikely to materialize without a broader legislative vehicle or additional appropriations.

A broader energy authorization package could provide a future opportunity to address gaps in federal support for carbon management demonstrations and deployment.

4. Tax policy and the One Big Beautiful Bill Act will receive scrutiny.

Democrats are expected to examine provisions of the One Big Beautiful Bill Act, particularly where they can connect changes to federal energy incentives with affordability and energy prices. Restoring certain clean energy tax incentives may be considered.

However, substantial tax legislation is unlikely to advance without unified party control. Accordingly, the next two years should be viewed as an opportunity to develop and establish policy proposals in preparation for future legislative opportunities.

Impact Strategy: Lame-Duck Priorities

Impact staff provided an update on legislative priorities for the remainder of the 119th Congress.

Section 45Q Marker Bill

Over the past several months, Impact has made progress laying the groundwork for a potential 45Q marker bill, which has generated significant interest from a Senate Democratic office. Discussions with the Coalition's Federal Policy Blueprint Working Group and Impact's Advisory Council have been ongoing since early spring to identify an appropriate legislative approach.

These discussions have reinforced the importance of increasing credit values, particularly to ensure that higher-cost technology sectors are appropriately incentivized. Members have also highlighted the need to address the impact of inflation on the current $85-per-ton credit level since the enactment of the Inflation Reduction Act.

Impact has not yet finalized a specific policy proposal to share with members but anticipates identifying a path forward in the coming weeks to support discussions with the interested Senate office.

In parallel, Coalition and Impact staff are developing updated analytical resources to support future legislative engagement, including:

- An updated cost analysis of carbon capture, transportation, and storage across sectors.
- An assessment translating potential 45Q policy changes into emissions reduction scenarios.

These resources are expected to help inform policy development and provide an analytical foundation for advancing 45Q priorities in the 120th Congress.

FY2027 Appropriations

Congress must determine whether to advance another continuing resolution, continue negotiations, or begin clearing the deck on appropriations bills ahead of the December 11 funding deadline for FY2027.

Regardless of the approach, Impact will prioritize protecting remaining IIJA-authorized carbon management funding, including resources for:

- Carbon Dioxide Transportation Infrastructure Finance and Innovation Act (CIFIA).
- Direct air capture hubs.
- Carbon capture demonstration projects.
- CarbonSAFE.
- Other authorized carbon management programs.

Impact will also continue to advocate for base carbon management research, development, and demonstration appropriations under DOE's Hydrocarbons and Geothermal Energy Office.

Additionally, staff will continue working with Interior Appropriations Committee staff to identify potential opportunities to advance GHGRP provisions, building on earlier discussions with majority and minority staff, as well as advocate for Class VI-related funding requests.

Impact Strategy: Priorities for the 120th Congress

Bipartisan Congressional Engagement

Impact will continue operating on a nonpartisan, bipartisan basis, recognizing that engagement with both parties has been central to advancing carbon management priorities.

- Rebuild relationships with Democratic offices that have received less engagement in recent years.
- Maintain and strengthen relationships with Republican champions.
- Engage incoming red state Democrats and other members representing energy-producing and industrial states.
- Prioritize education for new members and relevant committee staff, including offices with emerging carbon management opportunities.
- Develop member-facing messaging and talking points to support congressional engagement.

Congressional Education and Hill Days

With more than 20% of the incoming Congress being new members, Impact plans to expand its congressional education efforts through a two-part Hill Day strategy:

- **March 2027:** A smaller, education-focused Hill Day to introduce new members and their staff to carbon management technologies, projects, and policy considerations.

- **Later in 2027:** A more traditional advocacy-focused Hill Day centered on advancing Impact's legislative and policy priorities.

Messaging and Policy Positioning

Impact will maintain flexible messaging that resonates across the political spectrum and reflects the incoming Congress's focus on affordability and energy reliability.

Staff emphasized that carbon management is not a silver bullet, but an important complementary tool for climate mitigation as energy demand continues to rise.

Messaging will reinforce several key themes:

- Climate progress and affordability are complementary priorities.
- Carbon management can support reliable energy while reducing emissions.
- Carbon management represents an economic and workforce opportunity.
- Carbon management technologies support a pragmatic, clean approach to bolstering domestic energy, industry, and manufacturing production.
- Continued policy support helps maintain US leadership in carbon management technologies and sustained investment in regional economies.

Tax Policy – Section 45Q

Impact will continue advancing development of a 45Q marker bill, with the following policy considerations identified as priorities:

- Increasing credit values, particularly to support higher-cost technology sectors.
- Addressing inflation's erosion of the current credit value.
- Eliminating the requirement for lifecycle analysis (LCA) pre-approval.

Infrastructure and Permitting

Impact will continue pursuing policies that address barriers to carbon management infrastructure deployment, including:

- Improving Class VI permitting timelines and implementation.
- Retooling CIFIA to make the program more impactful in supporting the development of CO_2 transportation infrastructure.
- Advancing an optional federal pathway for CO_2 pipeline siting and construction.

Appropriations

Impact will continue to approach appropriations as an opportunity to make incremental gains on carbon management federal funding, including:

- Protecting remaining IIJA-authorized carbon management funding.
- Supporting base DOE carbon management research and development appropriations.
- Advocating for resources to support Class VI permitting and implementation.

Greenhouse Gas Reporting Program (GHGRP)

Impact will continue exploring opportunities to reinstate transparency provisions that support the administration and verification of Section 45Q.

Staff noted potential interest among Democratic offices in using Congressional Review Act resolutions of disapproval to address a GHGRP final rule. Opportunities to codify the program through legislation will also remain an area of focus.

Long-term Strategy and Action

Impact staff is developing several key messaging and strategy documents to guide engagement with the 120th Congress. These documents will focus on advancing the policy positions identified in the Carbon Capture Coalition's 2027 Federal Policy Blueprint and Impact's supplemental 'Roadmap for Action'.