

Congress of the United States

Washington, DC 20515

August 26, 2021

The Honorable Nancy Pelosi
Speaker of the House
H-232, The Capitol
Washington, D.C. 20515

The Honorable Charles Schumer
U.S. Senate Majority Leader
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
House Minority Leader
H-204, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
U.S. Senate Minority Leader
S-230, The Capitol
Washington, D.C. 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer, and Minority Leader McConnell:

As Congress works to advance legislation to revitalize America's infrastructure, we encourage you to prioritize a targeted suite of carbon management policies as an essential component of any forthcoming legislative package. The policies outlined below have strong bipartisan support and are crucial in the fight against climate change. They will play a critical role in America's economic recovery, and help the country build back better and cleaner. We ask that forthcoming legislative packages prioritize inclusion of a suite of policies that:

- **Finance the buildout of regional CO₂ transport and storage networks.** Robust infrastructure to safely transport and store captured CO₂ in secure saline geologic formations is a key pillar of any broader strategy to achieve net-zero emissions economy-wide. It is important that we also increase funding for the Environmental Protection Agency (EPA) to support federal and state permitting of such storage projects.
- **Enhance the 45Q Tax Credit.** The 45Q tax credit is the cornerstone federal policy for enabling economy-wide deployment of carbon management technologies. Congress must:
 - **Provide a direct pay option for the 45Q tax credit.** Currently, a significant portion of the tax credit value is lost to burdensome, costly and inefficient tax equity transactions.
 - **Extend the commence construction window for the 45Q credit.** Extending the commence construction window to qualify for 45Q by an additional ten years, to the end of 2035, would establish a critically needed investment horizon to give carbon management projects the time required to scale up between now and midcentury.
 - **Increase 45Q credit values for industrial and power plant carbon capture and direct air capture.** Recent analyses and commercial experience underscore that current 45Q credit values are insufficient to drive the early deployment needed in industry, electric power generation and direct air capture to bring costs down and reduce commercial risk.
 - **Eliminate annual CO₂ capture thresholds.** Current thresholds in the 45Q program are arbitrary, serve no policy purpose and reduce the overall technology innovation and emissions reduction potential of the incentive.
- **Provide robust funding for commercial scale carbon capture pilot projects and demonstration programs.** In the 2020 Energy Act, Congress reauthorized, expanded and updated the DOE Office of Fossil Energy and Carbon Management's activities to include historic funding levels for technology demonstrations in industry, power generation and direct air capture. Ensuring

these programs receive funding is a critical down payment on the investments in American innovation required to achieve net-zero emissions.

- **Reform Section 48A to properly incentivize existing electric generating units to retrofit carbon management systems.** The section 48A tax credit was first established in 2005, and carbon capture projects were made eligible in 2008. However, the eligibility standards for the credit are not technically or economically feasible for carbon capture and storage retrofit projects. Due to these unattainable requirements, nearly \$2 billion worth of credits have gone unused, resulting in a lost opportunity for innovation and emissions reductions.

These goals can be achieved with the inclusion of these bills in upcoming legislating packages:

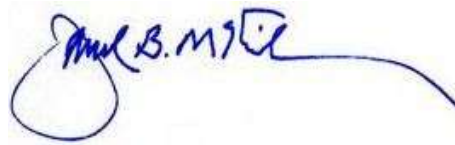
- The bipartisan **Storing CO₂ and Lowering Emissions (SCALE) Act** (S.799/H.R.1992), introduced in March, would finance the deployment of the essential backbone CO₂ transport and storage infrastructure and boost funding for the EPA to support federal and state permitting of storage projects.
- The bipartisan **Accelerating Carbon Capture and Extending Secure Storage (ACCESS) through 45Q Act** (H.R. 1062) and the **Carbon Capture, Utilization and Storage Tax Credits Amendment Act** (S. 986) both provide a direct pay option and extend the commence construction date for 45Q.
- The **bipartisan Coordinated Action to Capture Harmful Emissions (CATCH) Act** (S.2230/H.R.3538) increases 45Q credit values for industrial and power plant carbon capture and carbon utilization projects and eliminates thresholds to foster deployment at levels required to help put American industry on a path to net-zero emissions by 2050.
- The bipartisan **Carbon Capture Modernization Act** (H.R. 1760/S. 661) would make it easier for new and retrofit projects to include carbon management systems and would direct the Secretary of the Treasury to conduct additional rounds of applications to reallocate any available sec. 48A credits.

We look forward to working with you to include these bipartisan policies necessary for reaching our climate goals in forthcoming legislative packages this year.

Sincerely,



Marc A. Veasey
Member of Congress



David B. McKinley, P.E.
Member of Congress



Randy Feenstra
Member of Congress



Terri Sewell
Member of Congress

Tom Cole
Member of Congress

Tim Ryan
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Cheri Bustos
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