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## **Statement on the Carbon Capture, Utilization and Storage Act (S. 3179) and the 45Q Tax Credit Discussion at USEA** <sup>[1]</sup>

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October 27, 2016

Statement on the Carbon Capture, Utilization and Storage Act (S. 3179) and the 45Q tax credit discussion at USEA

WASHINGTON, D.C. — Today, Department of Energy (DOE) officials met with Capitol Hill energy advisors and other energy experts for a panel discussion at the U.S. Energy Association on the environmental and economic benefits of upgrading the 45Q tax credit through the Carbon Capture, Utilization and Storage Act (S. 3179).

Panelists included:

Shannon Angielski, Executive Director at Coal Utilization Research Council

Aaron Goldner, Energy Policy Advisor to U.S. Sen. Sheldon Whitehouse

Jan Brunner, Senior Energy Policy Advisor to U.S. Sen. Shelley Moore Capito

Judi Greenwald, DOE Deputy Director for Climate, Environment, and Energy Efficiency

David Mohler, DOE Deputy Assistant Secretary for Clean Coal and Carbon Management

Erin Burns, Policy Advisor at Third Way

The bill increases the current tax credit offered to large carbon emitters in an effort to encourage industry to sequester CO<sub>2</sub> emissions. It also lowers the threshold for facilities to qualify for the tax credit. The bill removes the 75 million ton cap on tax credits, of which more than half have already been claimed.

CO<sub>2</sub> can be stored in a geologic formation or saline aquifer, or piped into an oilfield for use in the CO<sub>2</sub> enhanced oil recovery (EOR) process. For CO<sub>2</sub> stored in geologic formations, the tax credit will increase from \$20/ ton to \$50/ ton of CO<sub>2</sub>.

For CO<sub>2</sub> used in the EOR process, the tax credit will increase from \$10/ ton to \$35/ ton of CO<sub>2</sub>. The Act also credits different forms of CO<sub>2</sub> utilization beyond EOR, including in the production of biomass, biofuels and plastic.

Sen. Heidi Heitkamp (D-ND) introduced the bill this summer. It has 18 cosponsors, including champions Sheldon Whitehouse (D-R.I.), and Shelley Moore Capito (R-WVA), and a number of Republicans, including Senate Majority Leader, Mitch McConnell (R-KY).

Supporters of the bill say it is truly bipartisan, offers broad benefits across the energy sector, and helps the U.S. meet global emissions targets.

The bill is in the Senate Finance Committee. A hearing may be held, or, the bill's language could be absorbed into a larger tax credit extender package.

USEA Executive Director Barry Worthington said, "Any legislative effort that helps early deployment of carbon capture and storage is welcome. USEA has stressed in both national and international forums that all technologies that provide low carbon - no carbon energy supplies should be treated the same by policy makers."

"Our industry is expected to double our energy services to our customers by midcentury while decarbonizing the energy sector. This is a high challenge and we cannot accomplish this without carbon capture and storage and carbon capture utilization and storage," Worthington said.

U.S. Senator Heidi Heitkamp said, "After introducing a bill to forge a viable path forward for coal by extending and expanding the 45Q tax credit just months ago, we have already gained significant bipartisan support – including from the Democratic vice-presidential candidate and the Republican Senate Majority Leader."

"Discussions like this briefing reinforce that our bill is gaining traction and bringing together folks across the political spectrum. It's the kind of commonsense solution I've long pushed for, and it would support the reality of coal continuing as a key part of the global energy mix, while also addressing climate change through reductions in carbon emissions," Heitkamp said.

In a statement, U.S. Senator Sheldon Whitehouse said, "Preventing the worst of climate change will mean deploying a broad range of technologies to reduce carbon emissions. This bill would provide a boost for entrepreneurs in Rhode Island and across the country who turn harmful carbon pollution into useful products. That incentive will spur economic growth and help protect our environment and public health."

Whitehouse said that prior carbon capture bills have focused on fossil fuel sources, primarily coal electricity generation while S.3179 is the first to provide credits for carbon utilization which expands the country's ability to reduce emissions outside of the power sector. Utilization of CO<sub>2</sub> through processes like photosynthesis or chemical conversion creates products of value which can be sold in the market. Whitehouse worked closely with carbon capture and utilization companies to incorporate their input into the bill.

Shannon Angielski, executive director of the Coal Utilization Research Council, said she looks for technologies that support the long-term use of coal. "The biggest challenge facing the coal industry today is climate change," Angielski said.

"We are focused on making sure there are technologies available to address that challenge. We want to make sure there are future energy supply options, including low carbon coal," she said. "Carbon capture utilization and storage (CCUS) is a very expensive proposition, particularly in applying it to power generation. The tax credit would offset those costs to a

power generating facility.”

Angielski said the existing cap creates financial uncertainty around the program. “Facilities don’t know if the remaining credits will be available when a project begins to inject CO<sub>2</sub>.”

Out of the 75 million tons, 45 million tons have been claimed. “At the current rate of expenditure we’re going to see this program expire within the next three years. Credit amounts are insufficient to cover costs of CCUS on power generation and do not stimulate financing of CO<sub>2</sub> capture projects,” she said.

Jan Brunner, senior energy policy advisor to Senator Capito said, “This bill is good for the nation, good for the state, good for the world. This is huge, and the bipartisan support shows how important this issue is.”

“Working with DOE Secretary Ernie Moniz and others was a catalyzing moment. Senator Capito was excited about the utilization aspect of this. In West Virginia, we have the National Energy Technology Lab, and there has been a substantial amount of fossil research over the years,” Brunner said.

“Coal has been the lifeblood of the state, and coal power is a reliable source of baseload power. So, it’s important to see the tax credit from that perspective because fossil fuels are going to be part of the generation mix for the long term,” she said. “Senator Capito sees this as a lynchpin in moving forward. We’re talking about policy parity and looking at this tax credit like we do some of the other renewable energy credits.”

Judi Greenwald, deputy director for climate, environment, and energy efficiency at DOE said, “Carbon capture technology is a big chunk of the solution to reducing emissions.”

Greenwald referenced the International Panel on Climate Change models, and said “Without CCUS in the modeling scenario, only four out of 10 models are capable of reaching our climate goals. They do so at a 138 percent cost increase.” She said, to cost effectively drive CCS, the country needs a combination of federal Research, Development, Deployment, and Demonstration (RDD&D) as well as tax incentives.

David Mohler, deputy assistant secretary for clean coal and carbon management at DOE said “We’ve got to decarbonize the global energy economy by 2050. The only way to get there, literally, is with CCUS. It has got to be a part of the mix of solutions. When we think about CCUS, we think about it as a deep decarbonization technology, instead of a coal or fossil energy technology.”

Mohler said, “This bill is significant in accelerating CCUS and deployment. In my mind, we’re at an inflection point for development of the CCUS technology. The costs are still too high, and the business and policy model supporting further development is not fully in place.”

Erin Burns, policy advisor at Third Way said, “45Q is good policy and good politics. This is a really bipartisan bill from climate hawks and people who don’t believe in anthropogenic climate change. The bills that go the furthest are bipartisan.”

“While 45Q and other action on CCUS are incredibly important on its own, it’s laying the groundwork for something bigger. The only way we’re going to get there is with bipartisan legislation. This bill has reminded us that this type of cooperation is possible and an effective way of driving climate policy forward.”

If you would like to speak with Barry Worthington, executive director, USEA, please contact, Dipka Bhambhani at [dbhambhani@usea.org](mailto:dbhambhani@usea.org) [3].

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