Roadmap for State Clean Carbon Technology Incentives

USEA-DOE CCUS Roadshow

Washington, D.C.
January 28, 2020

Mike Nasi, Partner, Jackson Walker LLP, General Counsel,
Incentives Play Key Role at Key Points in Project Development

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Bills:
- HB 3732 (2007)
- HB 1796 (2009)
- HB 469 & 1796 (2009)
- HB 4586 (2009)
- SB 1387 (2009)
- HB 1796 & 4586 (2009)
- HB 3676, HB 3896 & 3390 (2009 & 2013)
- HB 2446 (2013)
- HB 3732 & 469 (2007 & 2009)
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- HB 2446 (2013)
- HB 469 (2009)
- HB 2446 (2013)
Roadmap of State CCUS Incentives

A. Local Tax Exemptions/Abatements
B. State Tax Exemptions and Credits
C. Environmental Regulatory Certainty
D. Oil & Gas Regulatory Certainty
E. Utility Regulatory Certainty
Local Property Tax Abatements

➢ Clarify that CCUS-EOR network qualifies as property tax exempt under existing programs

➢ For non-exempt components, abate school property taxes, as well as other property taxes

➢ Significant economic value here (e.g., $80-300MM+ per plant projected in Texas)

➢ Locally-controlled and relatively state budget-proof
Sales Tax Exemption
➢ Clarify sales tax-exempt status of carbon capture, transportation & injection equipment relating to anthropogenic “emission” source

Gross Receipts Tax Exemption/Redirection
➢ Permanent exemption from gross receipts & similar taxes

Corporate Income / Franchise Tax Credit Programs
➢ New & retrofit projects meeting criteria
➢ Ensure it can be monetized (multi-year & assignable)
➢ Fuel neutral (see Texas HB 2446 - Crownover)
Severance Tax for oil recovered using CO$_2$ captured from a manmade source

- 75% tax exemption for oil recovered using EOR through the use of captured man-made CO$_2$
- Ensure that duration meets project needs (TX – 30 yrs)
- Fiscally-neutral, but significant incentive
Regulatory Incentives - Environmental

Time-Certain Permitting

- Cap time & refine public participation process

Multi-state effort to allow, but not mandate, documented sequestration as part of Class 2 permit

- Class VI focus not necessary (equivalency goal)

Regulatory treatment of CO₂ as a product and not a “waste” or “pollutant” when sold

- Relevance to air, water, & waste programs
Utility Regulatory Incentives

Regulated Market Ideas

➢ Deemed prudence
➢ Early cost recovery from FEED forward
➢ Clear economic tests
➢ Mandatory CCUS evaluation in IRPs

Deregulated Market Ideas

➢ Capacity payments
➢ Clean energy portfolio standards?
➢ Dispatch priority and/or qualified firming if RE so required.
2004 - Created to Support Governor’s Clean Coal Technology Council (created by Executive Order)

Became platform for varied interests to rally together to support innovative CCUS technologies

- Local Officials (county commissioners, chambers, & busdev groups)
- State Legislators
- Statewide Elected Officials
- Governor & Governor-appointed Agency Heads
- Electric power, CCUS & EOR technologists

Developed and aided passage of over 11 pieces of legislation over the course of the last 9 years

2013-2014: worked with key legislative leadership to make CCUS fuel-neutral & significantly improved incentives
QUESTIONS?

Roadmap for State Incentives for Clean Carbon Technology

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