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(Original Signature of Member)

115TH CONGRESS  
1ST SESSION

**H. R.**

To amend the Internal Revenue Code of 1986 to improve and extend the credit for carbon dioxide sequestration.

IN THE HOUSE OF REPRESENTATIVES

Mr. CONAWAY introduced the following bill; which was referred to the Committee on \_\_\_\_\_

**A BILL**

To amend the Internal Revenue Code of 1986 to improve and extend the credit for carbon dioxide sequestration.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Carbon Capture Act”.

5 **SEC. 2. EXTENSION OF ENHANCED CARBON DIOXIDE SE-**  
6 **QUESTRATION CREDIT.**

7 (a) IN GENERAL.—Section 45Q of the Internal Rev-  
8 enue Code of 1986 is amended to read as follows:

1 **“SEC. 45Q. CREDIT FOR CARBON DIOXIDE SEQUESTRATION.**

2 “(a) GENERAL RULE.—For purposes of section 38,  
3 the carbon dioxide sequestration credit for any taxable  
4 year is an amount equal to the sum of—

5 “(1) \$20 per metric ton of qualified carbon di-  
6 oxide which is—

7 “(A) captured by the taxpayer using car-  
8 bon capture equipment which is originally  
9 placed in service at a qualified facility before  
10 the date of the enactment of the Carbon Cap-  
11 ture Act,

12 “(B) disposed of by the taxpayer in secure  
13 geological storage and not used by the taxpayer  
14 as described in paragraph (2)(B),

15 “(2) \$10 per metric ton of qualified carbon di-  
16 oxide which is—

17 “(A) captured by the taxpayer using car-  
18 bon capture equipment which is originally  
19 placed in service at a qualified facility before  
20 the date of the enactment of the Carbon Cap-  
21 ture Act, and

22 “(B)(i) used by the taxpayer as a tertiary  
23 injectant in a qualified enhanced oil or natural  
24 gas recovery project and disposed of by the tax-  
25 payer in secure geological storage, or

1           “(ii) utilized by the taxpayer in a manner  
2           described in subsection (e)(7),

3           “(3) the applicable dollar amount per metric  
4           ton of qualified carbon dioxide which is—

5           “(A) captured by the taxpayer using car-  
6           bon capture equipment which is originally  
7           placed in service at a qualified facility on or  
8           after the date of the enactment of the Carbon  
9           Capture Act, during the 15-year period begin-  
10          ning on the date the equipment was originally  
11          placed in service, and

12          “(B) disposed of by the taxpayer in secure  
13          geological storage and not used by the taxpayer  
14          as described in paragraph (4)(B), and

15          “(4) the applicable dollar amount per metric  
16          ton of qualified carbon dioxide which is—

17          “(A) captured by the taxpayer using car-  
18          bon capture equipment which is originally  
19          placed in service at a qualified facility on or  
20          after the date of the enactment of the Carbon  
21          Capture Act, during the 15-year period begin-  
22          ning on the date the equipment was originally  
23          placed in service, and

24          “(B)(i) used by the taxpayer as a tertiary  
25          injectant in a qualified enhanced oil or natural

1 gas recovery project and disposed of by the tax-  
2 payer in secure geological storage, or

3 “(ii) utilized by the taxpayer in a manner  
4 described in subsection (e)(7).

5 A taxpayer that captures qualified carbon dioxide as pro-  
6 vided under paragraph (1), (2), (3) or (4) and that enters  
7 into contractual arrangements with another person to en-  
8 sure the disposal, use, or utilization required under para-  
9 graph (1), (2), (3) or (4), as the case may be, shall be  
10 treated as having disposed, captured, or used such quali-  
11 fied carbon dioxide to the extent disposed, captured, or  
12 used by such other persons pursuant to such contractual  
13 arrangements,

14 “(b) APPLICABLE DOLLAR AMOUNT; ADDITIONAL  
15 EQUIPMENT; ELECTION.—

16 “(1) APPLICABLE DOLLAR AMOUNT.—For pur-  
17 poses of subsection (a)—

18 “(A) IN GENERAL.—The applicable dollar  
19 amount shall be an amount equal to—

20 “(i) for taxable years beginning after  
21 2016 and before 2026, the dollar amount  
22 established by linear interpolation between  
23 \$12.83 and \$35 for each calendar year  
24 during such period, and

1           “(ii) for taxable years beginning after  
2           2025, an amount equal to the product of  
3           \$35 and the inflation adjustment factor for  
4           such calendar year determined under sec-  
5           tion 43(b)(3)(B) for such calendar year,  
6           determined by substituting ‘2024’ for  
7           ‘1990’.

8           “(B) ROUNDING.—The applicable dollar  
9           amount determined under subparagraph (A)  
10          shall be rounded to the nearest cent.

11          “(2) INSTALLATION OF ADDITIONAL CARBON  
12          CAPTURE EQUIPMENT ON EXISTING QUALIFIED FA-  
13          CILITY.—In the case of a qualified facility placed in  
14          service before the date of the enactment of the Car-  
15          bon Capture Storage Act, for which additional car-  
16          bon capture equipment is placed in service on or  
17          after the date of the enactment of such Act, the  
18          amount of qualified carbon dioxide which is captured  
19          by the taxpayer shall be equal to—

20                 “(A) for purposes of paragraphs (1)(A)  
21                 and (2)(A) of subsection (a), the lesser of—

22                         “(i) the total amount of qualified car-  
23                         bon dioxide captured at such facility for  
24                         the taxable year, or

1                   “(ii) the total amount of the carbon  
2                   dioxide capture capacity of the carbon cap-  
3                   ture equipment in service at such facility  
4                   on the day before the date of the enact-  
5                   ment of the Carbon Capture Act, and

6                   “(B) for purposes of paragraphs (3)(A)  
7                   and (4)(A) of such subsection, an amount equal  
8                   to the excess (if any) of—

9                   “(i) the amount described in subpara-  
10                  graph (A)(i), over

11                  “(ii) the amount described in subpara-  
12                  graph (A)(ii).

13                  “(3) ELECTION.—For purposes of determining  
14                  the carbon dioxide sequestration credit under this  
15                  section, a taxpayer may elect to have the dollar  
16                  amount applicable under paragraph (1) or (2) of  
17                  subsection (a) apply in lieu of the dollar amounts  
18                  applicable under paragraph (3) or (4) of such sub-  
19                  section for each metric ton of qualified carbon diox-  
20                  ide which is captured by the taxpayer using carbon  
21                  capture equipment which is originally placed in serv-  
22                  ice at a qualified facility on or after the date of the  
23                  enactment of the Carbon Capture Act.

24                  “(c) QUALIFIED CARBON DIOXIDE.—For purposes of  
25                  this section:

1           “(1) IN GENERAL.—The term ‘qualified carbon  
2 dioxide’ means carbon dioxide or other carbon oxides  
3 captured—

4           “(A)(i) from an industrial source which  
5 would otherwise be released into the atmosphere  
6 as industrial emission of greenhouse gas, or  
7 would otherwise lead to such release, or

8           “(ii) directly from the ambient air, and

9           “(B) is measured at the source of capture  
10 and verified at the point of disposal, injection,  
11 or utilization.

12           “(2) RECYCLED CARBON DIOXIDE.—The term  
13 ‘qualified carbon dioxide’ includes the initial deposit  
14 of captured carbon dioxide used as a tertiary  
15 injectant. Such term does not include carbon dioxide  
16 that is recaptured, recycled, and re-injected as part  
17 of the enhanced oil and natural gas recovery process.

18           “(d) QUALIFIED FACILITY.—For purposes of this  
19 section, the term ‘qualified facility’ means any industrial  
20 facility or direct air capture facility—

21           “(1) the construction of which begins before  
22 January 1, 2024, and—

23           “(A) the original planning and design for  
24 such facility includes installation of carbon cap-  
25 ture equipment, or

1           “(B) the construction of carbon capture  
2           equipment with respect to such facility begins  
3           before such date, and

4           “(2) which captures—

5           “(A) in the case of a facility which emits  
6           not more than 500,000 metric tons of carbon  
7           dioxide into the atmosphere during the taxable  
8           year, not less than 25,000 metric tons of quali-  
9           fied carbon dioxide during the taxable year  
10          which is utilized in a manner described in sub-  
11          section (e)(7), or

12          “(B) in the case of a facility not described  
13          in subparagraph (A), not less than 100,000  
14          metric tons of qualified carbon dioxide during  
15          the taxable year.

16          “(e) SPECIAL RULES AND OTHER DEFINITIONS.—  
17          For purposes of this section—

18                 “(1) ONLY CARBON DIOXIDE CAPTURED AND  
19                 SECURED OR USED WITHIN THE UNITED STATES  
20                 TAKEN INTO ACCOUNT.—The credit under this sec-  
21                 tion shall apply only with respect to qualified carbon  
22                 dioxide the capture and disposal, use, or utilization  
23                 of which is within—

24                 “(A) the United States (within the mean-  
25                 ing of section 638(1)), or



1           “(B) a possession of the United States  
2           (within the meaning of section 638(2)).

3           “(2) SECURE GEOLOGICAL STORAGE.—The Sec-  
4           retary, in consultation with the Administrator of the  
5           Environmental Protection Agency, the Secretary of  
6           Energy, and the Secretary of the Interior, shall es-  
7           tablish regulations for determining adequate security  
8           measures for the geological storage of qualified car-  
9           bon dioxide under subsection (a) such that the quali-  
10          fied carbon dioxide does not escape into the atmos-  
11          phere. Such term shall include storage at deep saline  
12          formations, oil and gas reservoirs, and unminable  
13          coal seams under such conditions as the Secretary  
14          may determine under such regulations.

15          “(3) TERTIARY INJECTANT.—The term ‘ter-  
16          tiary injectant’ has the same meaning as when used  
17          within section 193(b)(1).

18          “(4) QUALIFIED ENHANCED OIL OR NATURAL  
19          GAS RECOVERY PROJECT.—The term ‘qualified en-  
20          hanced oil or natural gas recovery project’ has the  
21          meaning given the term ‘qualified enhanced oil re-  
22          covery project’ by section 43(c)(2), by substituting  
23          ‘crude oil or natural gas’ for ‘crude oil’ in subpara-  
24          graph (A)(i) thereof.

25          “(5) CREDIT ATTRIBUTABLE TO TAXPAYER.—

1           “(A) IN GENERAL.—Except as provided  
2           subparagraph (B) or in any regulations pre-  
3           scribed by the Secretary, any credit under this  
4           section shall be attributable to—

5                   “(i) in the case of qualified carbon di-  
6                   oxide captured using carbon capture equip-  
7                   ment which is originally placed in service  
8                   at a qualified facility before the date of the  
9                   enactment of the Carbon Capture Act, the  
10                  person that captures and physically or con-  
11                  tractually ensures the disposal, utilization,  
12                  or use as a tertiary injectant of such quali-  
13                  fied carbon dioxide, and

14                   “(ii) in the case of qualified carbon di-  
15                   oxide captured using carbon capture equip-  
16                   ment which is originally placed in service  
17                   at a qualified facility on or after the date  
18                   of the enactment of the Carbon Capture  
19                   Act, or with regard to which an election  
20                   has been made under subsection (f)(2), the  
21                   person that owns the carbon capture equip-  
22                   ment and physically or contractually en-  
23                   sures the capture and disposal, utilization,  
24                   or use as a tertiary injectant of such quali-  
25                   fied carbon dioxide.

1           “(B) ELECTION.—If the person described  
2           in subparagraph (A) makes an election under  
3           this subparagraph at such time and in such  
4           manner as the Secretary may prescribe by regu-  
5           lations, the credit under this section—

6                   “(i) shall be allowable to the person  
7                   that disposes of the qualified carbon diox-  
8                   ide, utilizes the qualified carbon dioxide, or  
9                   uses the qualified carbon dioxide as a ter-  
10                  tiary injectant, and

11                   “(ii) shall not be allowable to the per-  
12                  son described in subparagraph (A).

13           “(6) RECAPTURE.—The Secretary shall, by reg-  
14           ulations, provide for recapturing the benefit of any  
15           credit allowable under subsection (a) with respect to  
16           any qualified carbon dioxide which ceases to be cap-  
17           tured, disposed of, or used as a tertiary injectant in  
18           a manner consistent with the requirements of this  
19           section.

20           “(7) UTILIZATION OF QUALIFIED CARBON DI-  
21           OXIDE.—

22                   “(A) IN GENERAL.—For purposes of this  
23                   section, utilization of qualified carbon dioxide  
24                   means—

1           “(i) the chemical conversion of such  
2           qualified carbon dioxide to a material or  
3           chemical compound in which such qualified  
4           carbon dioxide is securely stored, or

5           “(ii) the use of such qualified carbon  
6           dioxide for any other purpose for which a  
7           commercial market exists (other than use  
8           as a tertiary injectant in a qualified en-  
9           hanced oil or natural gas recovery project),  
10          as determined by the Secretary.

11          “(B) MEASUREMENT.—For purposes of  
12          determining the amount of qualified carbon di-  
13          oxide utilized by the taxpayer under paragraph  
14          (2)(B)(ii) or (4)(B)(ii) of subsection (a), such  
15          amount shall be equal to the metric tons of car-  
16          bon dioxide which the taxpayer demonstrates,  
17          based upon an analysis of lifecycle greenhouse  
18          gas emissions and subject to such requirements  
19          as the Secretary, in consultation with the Sec-  
20          retary of Energy and the Administrator of the  
21          Environmental Protection Agency, determines  
22          appropriate, were captured and prevented from  
23          escaping into the atmosphere through use of a  
24          process described in subparagraph (A).

1           “(8) DIRECT AIR CAPTURE FACILITY.—For  
2 purposes of this section, the term ‘direct air capture  
3 facility’ means any facility which uses carbon cap-  
4 ture equipment to capture carbon from the ambient  
5 air. Such a term does not include facilities capturing  
6 carbon dioxide that is deliberately released from nat-  
7 urally-occurring subsurface springs.

8           “(9) INFLATION ADJUSTMENT.—In the case of  
9 any taxable year beginning in a calendar year after  
10 2009, there shall be substituted for the dollar  
11 amount contained in paragraphs (1) and (2) of sub-  
12 section (a) an amount equal to the product of—

13                   “(A) such dollar amount, multiplied by

14                   “(B) the inflation adjustment factor for  
15 such calendar year determined under section  
16 43(b)(3)(B) for such calendar year, determined  
17 by substituting ‘2008’ for ‘1990’.

18           “(f) APPLICATION OF SECTION FOR CERTAIN CAR-  
19 BON CAPTURE EQUIPMENT.—

20           “(1) IN GENERAL.—Except as provided in para-  
21 graph (2), in the case of any carbon capture equip-  
22 ment placed in service before the date of the enact-  
23 ment of the Carbon Capture Act, the credit under  
24 this section shall apply with respect to qualified car-  
25 bon dioxide captured using such equipment before

1 the end of the calendar year in which the Secretary,  
2 in consultation with the Administrator of the Envi-  
3 ronmental Protection Agency, certifies that  
4 75,000,000 metric tons of qualified carbon dioxide  
5 have been taken into account in accordance with  
6 paragraphs (1) and (2) of subsection (a) during the  
7 period beginning after October 3, 2008.

8 “(2) SPECIAL RULE FOR CERTAIN FACILITIES  
9 NOT CLAIMING PRIOR CREDIT.—In the case of any  
10 qualified facility—

11 “(A) which captures not less than 100,000  
12 metric tons of carbon dioxide during the taxable  
13 year,

14 “(B) which is placed in service after De-  
15 cember 31, 2015, and

16 “(C) with respect to which no credit has  
17 been allowed under this section (as in effect on  
18 the day before the date of the enactment of  
19 such Act) by any person for any taxable year  
20 beginning prior to the date of enactment of  
21 such Act,

22 the taxpayer may elect to treat such qualified facility  
23 as placed in service on the date of enactment of such  
24 Act.

1           “(g) REGULATIONS.—The Secretary may prescribe  
2 such regulations and other guidance as may be necessary  
3 or appropriate to carry out this section, including regula-  
4 tions or other guidance to—

5           “(1) ensure proper allocation under subsection  
6 (a) for qualified carbon dioxide captured by a tax-  
7 payer during the taxable year ending after the date  
8 of the enactment of the Carbon Capture Act, and

9           “(2) determine whether a facility satisfies the  
10 requirements under subsection (d)(1) during such  
11 taxable year.”.

12          (b) EFFECTIVE DATE.—Except to the extent pro-  
13 vided in section 45Q(f) of such Code, as amended by this  
14 Act, the amendments made by this section shall apply to  
15 property placed in service on after the date of the enact-  
16 ment of this Act.