

November 2, 2017

The Honorable Orrin Hatch
The Honorable Ron Wyden
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the undersigned companies and organizations, we respectfully request that you include extension and reform of the Section 45Q Tax Credit for Carbon Dioxide Sequestration in the Chairman's mark on tax reform legislation being prepared by your Committee.

The FUTURE Act, S. 1535, provides a bipartisan and widely-supported template for inclusion of 45Q in tax reform. Introduced by Senators Heitkamp (D-ND), Capito (R-WV), Whitehouse (D-RI) and Barrasso (R-WY) in July, the FUTURE Act is cosponsored by one quarter of the U.S. Senate. Finance Committee members who have cosponsored are Senators Portman (R-OH), Brown (D-OH), Bennet (D-CO), Casey (D-PA) and Warner (D-VA).

Chairman Conaway (R-TX) introduced bipartisan companion legislation this September. The Carbon Capture Act, H.R. 3761, currently has 43 cosponsors.

The FUTURE Act would transform Section 45Q into one of the most effective tools to create good-paying, highly-skilled jobs and drive growth in key energy and industrial sectors of the U.S. economy, while also significantly reducing carbon emissions. It provides a tax credit to incentivize the capture of carbon dioxide (CO₂) from power plants and industrial facilities for use in enhanced oil recovery (CO₂-EOR), other geologic storage, and beneficial utilization.

The U.S. has led the world with nearly a half-century's experience with carbon capture and CO₂-EOR. The industry could produce significant additional domestic oil from existing fields, displacing foreign oil we otherwise currently import, while safely and permanently storing large volumes of CO₂. According to the International Energy Agency, CO₂-EOR results in a net carbon emissions reduction of 37 percent, even after accounting for the additional oil produced.

Federal incentives for deployment are needed to bring down the cost of CO₂ that is captured from power plant and industrial sources in order to be economic in EOR operations and other beneficial utilization of CO₂ and to scale up geologic storage. This will create opportunities to innovate and improve efficiencies, reducing the costs of capture technologies and enabling many industries—including coal and natural gas power generation, ethanol, chemicals, fertilizer, industrial gasification, refining, and gas processing—to increase their role in capturing additional CO₂. Expanding U.S. deployment will also help secure leadership in carbon capture technologies for which there will be growing global demand.

Carbon capture is also critical to achieving emissions reductions around the world. Widespread deployment of capture technologies will help meet global mid-century goals for mitigating carbon emissions from electric power generation and a wide range of industrial activities. The U.S. is well-

positioned to continue leading further development and use of carbon capture, making these technologies more competitive and affordable, both globally and here at home.

Extension and reform of the Section 45Q tax credit is long overdue. Carbon capture merits federal incentive support to drive down the cost of this technology and accelerate its commercial deployment, as has been done successfully for other energy technologies, such as wind and solar. Toward that end, the FUTURE Act marks the culmination of years of bipartisan effort by lawmakers in both the Senate and House to craft legislation based on input from leading energy, industrial and technology companies, labor unions and environmental and energy policy organizations that participate in our coalition.

Section 45Q will soon expire when the existing cap of 75 million tons of CO₂ is reached, and over two-thirds of those credits had been claimed as of May 2017. Due to long lead times for carbon capture projects, the program has, for practical purposes, already expired, and the lack of financial certainty deters private investment in new projects. Including S. 1535 in the Committee's tax reform package will ensure future credit availability, spurring private investment that creates jobs, generates revenues for federal, state and local coffers, and improves our environment.

Key provisions of the FUTURE Act include:

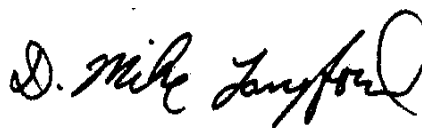
- Providing financial certainty by authorizing 45Q for new projects that commence construction within seven years of enactment of the legislation;
- Increasing the credit value to \$35 per ton for CO₂ stored through EOR and for other beneficial utilization and to \$50 per ton for other geological storage, and by allowing projects to claim the credit for 12 years upon being placed in service;
- Lowering the facility eligibility threshold to 100,000 tons of CO₂ per year to allow more industrial facilities to qualify; and
- Enhancing flexibility in utilization of the tax credit to enable a range of carbon capture business models and to facilitate expanded private investment in the technology.

Thank you for your consideration of this request. Our coalition stands ready to provide any additional information you might need on this issue.


Sincerely,



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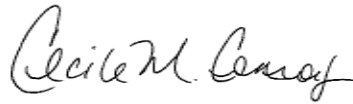
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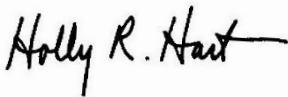
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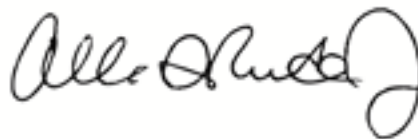
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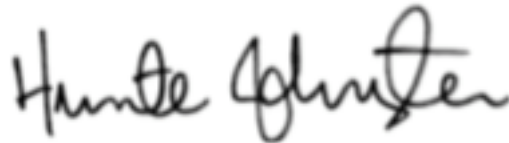
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cc: The Honorable Dean Heller, United States Senate
The Honorable Bill Cassidy, United States Senate