

February 6, 2017

The Honorable Kevin Brady
The Honorable Richard Neal
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

On behalf of the undersigned member companies and organizations, we respectfully request that Congress extend and strengthen the Section 45Q Tax Credit for Carbon Dioxide Sequestration as part of any comprehensive tax reform package considered by the Ways and Means Committee this Congress.

Section 45Q offers one of the most effective tools to protect jobs and drive growth in the energy sector while also reducing CO₂ emissions. It provides a tax credit to incentivize the capture and use, through enhanced oil recovery (EOR), of CO₂ from power plants and industrial sources.

Using CO₂ captured from power plants and industrial facilities presents a significant opportunity for the U.S. to increase energy independence by reducing foreign imports through the production of billions of barrels of oil from existing oil fields—while storing billions of tons of CO₂ underground. Growing this industry will protect existing jobs, while creating new high-paying American energy and industrial jobs and building out U.S. infrastructure. It will also help secure leadership in this technology for which there is growing global demand, by deploying innovative carbon capture technologies here in the U.S.

In 2016, during the 115th Congress, Congressman Conaway (R-TX) introduced H.R. 4622, the Carbon Capture Act to extend and strengthen the 45Q tax credit, which secured 32 Republican and 17 Democratic co-sponsors representing 26 states. In the Senate, Senators Heitkamp (D-ND), Whitehouse (D-RI) and Capito (R-WV) introduced similar legislation, S. 3179, the Carbon Capture Utilization and Storage Act, which had eight Republican and eleven Democratic co-sponsors. Co-sponsors included GOP Majority Leader Mitch McConnell (R-KY), Minority Whip Dick Durbin (D-IL), Senate Energy Committee Chair Lisa Murkowski (R-AK), and three members of the Senate Finance Committee, Bob Casey (D-PA), Rob Portman (R-OH), and Sherrod Brown (D-OH).

We expect comparable legislation to be introduced in both the House and Senate in the near future and anticipate broad bipartisan support once again.

As you know, the Omnibus Appropriations Act of 2015 extended expiring tax benefits for the wind and solar industries. Some other energy credits were not provided with a similar extension, and they have expired or are scheduled to do so in the near future. Section 45Q will expire when credits for the currently authorized 75 million tons of CO₂ are claimed, and over half those credits were claimed as of 2016. Due to long lead times for construction of such projects, the Section 45Q credit has, for practical purposes, already run out because the lack of financial certainty regarding future availability of credits deters private investment in new commercial CO₂ capture projects.

Proposed House and Senate legislation in 2016 made important improvements to the 45Q tax credit to drive private sector innovation and investment in commercial deployment of carbon capture projects. First, both bills extended 45Q beyond its current authorization to accommodate new carbon capture projects. Second, the legislation increased the value of the credit per ton of CO₂ captured. Third, the bills lowered the eligibility threshold to allow more industrial facilities to qualify for the tax credit. Fourth, the legislation made other technical improvements such as enhancing flexibility in utilization of the tax credit to enable a range of carbon capture business models and facilitate accelerated investment in the technology.

Based on four decades of experience, the U.S. independent oil and gas industry is the world leader in CO₂-EOR and could produce billions of barrels of additional domestic oil from existing fields, while safely and permanently storing billions of tons of CO₂. However, the available CO₂ supply falls short of the much larger potential long-term demand by the industry. The right incentives for innovation and deployment will help drive technology costs down, and many industries—coal and gas electric power generation, coal gasification, ethanol, chemicals, fertilizer, refining, and natural gas processing—can significantly expand their role in supplying that additional CO₂.

Carbon capture also represents a critical component of our nation's strategy for achieving emissions reductions. Widespread deployment of carbon capture technologies will help meet global mid-century goals for mitigating carbon emissions from electric power generation and a wide range of industrial activities.

This opportunity represents a genuine win-win for our nation's economy and environment, one that will bring high-paying jobs and investment to energy-producing and industrial states and regions of our country.

We respectfully urge your inclusion of measures to extend and strengthen the 45Q tax credit in any comprehensive tax reform legislation your Committee may consider this Congress. Our coalition stands ready to provide any additional information you might need on this issue, and we greatly appreciate your consideration of this request.

Sincerely,



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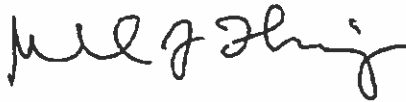
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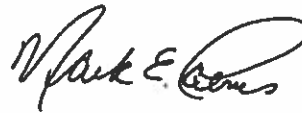
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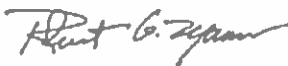
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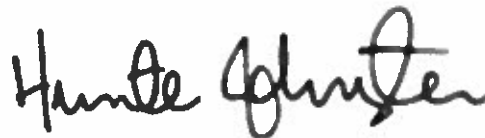
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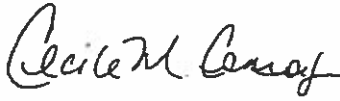
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