



# FACT SHEET

## Energy Policy

**We can create good American jobs by investing in a clean energy future.** Our nation can grow high-quality jobs that put Americans to work, reduce our dependence on imported energy, and protect the environment from the risks of climate change. We support an “all of the above” energy policy, but it must include advanced coal technologies as part of our nation’s emerging policy framework. We also need to make sure that regulations established to address climate change and other environmental concerns do not have the unintended consequence of prohibiting the construction of new, state-of-the-art coal generating capacity or contribute to job losses across a broad range of construction, manufacturing and transportation sectors.

**Carbon capture and storage (CCS) technology will ensure responsible use of our nation’s fossil energy resources.** The deployment of CCS will create millions of good paying jobs for Boilermakers and other union craftsman, while ensuring a future for affordable, reliable energy from coal. Coal-fired power generation remains among the most labor intensive energy technologies, supporting good jobs in construction, mining, transportation, and other sectors. We must also invest in workforce development to provide the training and skills necessary to deploy new low-carbon energy technology.

**A strong national energy policy that encourages the development of new technology is essential to our energy security and economic development goals.** The United States must establish policy mechanisms that will facilitate new financing for clean energy technologies and bring them to market. Both regulatory certainty and financing assistance are essential to bring private investment off the sidelines, and ensure energy developers have the financing and credit they need to invest in new energy infrastructure.

### Increase Funding for the Department of Energy’s Fossil Energy R&D Program

- **Increase R&D Funding.** New – not reclaimed appropriations from unspent Clean Coal Power Initiative projects – should be provided to support the DOE Fossil Energy R&D program and match the 20% increase to energy R&D that was committed under Mission Innovation.
- **Preserve Clean Coal Power Initiative (CCPI) Funding.** \$240 million of CCPI funding that DOE seeks to de-obligate and reclaim for use in the R&D program should be preserved and used for its Congressionally authorized purpose – to demonstrate new, advanced coal based technologies.
- **Fund Large Scale Pilot Efforts in the R&D Program Budget.** Congress should fund efforts in the Department’s Fossil Energy program to support large-scale pilot projects. Currently the R&D program only supports small scale pilot activities. Large scale pilots are a cost-effective approach to accelerate the development of transformational technologies because this scale of

testing bridges the gap between bench-scale proof of concept, or small pilot projects, and commercial-scale demonstration projects. Importantly, they can provide valuable design and operational data for an emerging technology at a cost far lower than a commercial demonstration-scale unit.

### **Improve the existing Section 45Q Tax Credit for Carbon Sequestration**

Section 45Q was enacted as part of the Energy Improvement and Extension Act of 2008 and amended by the American Recovery and Reinvestment Act of 2009. 45Q provides a credit for CO<sub>2</sub> sequestration with enhanced oil recovery (EOR) and is available to taxpayers that capture qualified CO<sub>2</sub> at a qualified facility and dispose of the CO<sub>2</sub> in secure geological storage.

CCS is currently a very expensive technology. The \$10 per ton credit for EOR and \$20 per ton credit for geologic storage continue to be insufficient to stimulate financing of CO<sub>2</sub> capture projects. In addition, financial uncertainty is created because it is unknown if any remaining credits will be available when a CCUS project is operating and begins to inject CO<sub>2</sub>, and therefore, the credits do not provide access to commercial capital necessary for a project to reach financial close.

The following changes to the program could be helpful to address these issues:

- **Remove the Cap.** Eliminating the cap would alleviate the uncertainty that undermines project financing. The assurance that the credit will be available for a certain period of eligibility for individual projects is necessary for securing private sector investment.
- **Increase the tax credit value.** To drive private investment and bring down the costs of CO<sub>2</sub> capture, a higher tax credit value is needed for coal-based CO<sub>2</sub> capture projects. In addition, since the CO<sub>2</sub> price is linked to oil prices and oil prices continue to decline, a minimum of \$30 per ton of CO<sub>2</sub> utilized and permanently stored through EOR is needed for coal-based power plant projects.
- **Clarify the eligibility criteria.** The current 45Q tax credit excludes certain CO<sub>2</sub> capture business models and includes other restrictive provisions. For example, the party capturing CO<sub>2</sub> should not also have to own the facility where CO<sub>2</sub> capture equipment is installed to be eligible for the credit. This should be corrected.
- **Address a potential lack of tax appetite.** CO<sub>2</sub> capture projects are likely to have high debt interest payments and large tax depreciation deductions that diminish tax liability and the ability to claim the full value of a tax credit for a number of years. Further, certain entities developing capture projects, such as electric cooperatives or municipalities, may not be taxpaying companies as they are cooperatively owned and operated. Making the credit refundable or assignable to another entity with tax appetite is essential for an incentive to be effective to address this lack of tax appetite.

Carbon dioxide enhanced oil recovery (CO<sub>2</sub>-EOR) provides an important opportunity to address challenges facing robust development of CCS technology along with our nation's economic, environmental, and energy security challenges.

### **Boilermakers' Message to Senators and Representatives:**

- Support increased funding for the Department of Energy's Fossil Energy R&D Program.
- Co-sponsor and vote for 45Q tax credit legislation similar to bills introduced in the 114<sup>th</sup> Congress: H.R. 4622, the "Carbon Capture Act" and S. 3179, the "Carbon Capture Utilization and Storage Act."