

December 9, 2021

The Honorable Ron Wyden
Chairman
Senate Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Wyden,

The undersigned organizations write to encourage you to strengthen the guardrails of the 45Q tax credit in the Build Back Better Act. We request that you keep the 75% capture rate requirement for the power sector, eliminate the tax credit for carbon used in enhanced oil recovery, and ensure that facilities are not sited in disadvantaged communities. Carbon capture and storage justifies the perpetuation of fossil fuels, their devastating local impacts, and the damage they do to the climate. When used for enhanced oil recovery, subsidies for CCS amount to subsidies for oil drilling. Claims for credits under 45Q have overwhelmingly been claimed improperly, and remain open to further fraud and abuse. Given all of these fundamental problems, 45Q should be eliminated, but it would be wrong to further weaken guardrails in the bill seeking to bring some level of accountability to this disastrous fossil fuel subsidy.

Carbon capture and storage threatens to exacerbate environmental injustice. The communities living on the fence lines of coal and gas-fired power plants, petrochemical facilities, and other sources of emissions already disproportionately suffer the burdens of pollution, including elevated rates of cancer, respiratory illness, and increased mortality. Those suffering from environmental injustice are disproportionately communities of color and low-income communities. Carbon capture threatens to both entrench the underlying polluting facilities in those communities, as well as increase their toxic emissions as even more energy is needed to run the carbon capture units. For these reasons and more, the White House Environmental Justice Advisory Council specifically warned against support for CCS, as an approach that will not benefit communities.

Supporting carbon capture and storage will also do more to harm than to help the climate. Carbon capture units require significant energy to operate, and this “energy penalty” is often 20% or more of overall output. This additional energy requirement, plus the upstream emissions from additional drilling, processing, and transport of more gas to supply the power, cuts into any gains from capturing smokestack emissions. Renewable energy technologies can virtually eliminate greenhouse gas emissions from electricity, equipping coal- and natural gas-fired plants with CCS would only reduce greenhouse gas emissions by 39% when you consider the full lifecycle emissions of CCS.. less than 40%.

Subsidizing carbon capture in the power sector would further entrench the fossil system, making the “100 percent carbon pollution-free electricity” by 2035 goal of the US Nationally Determined Contribution functionally impossible. Carbon capture does not eliminate emissions of carbon dioxide, even when it operates at 90% capture. Removing a capture rate requirement from 45Q eligibility will ensure that the US government is subsidizing even lower rates of capture, keeping polluting coal and gas plants open and running for decades.

The overwhelming majority of captured carbon is used to drill more oil. Subsidies for enhanced oil recovery amount to nothing more than subsidies for oil drilling. To call such subsidies climate action is absurd on its face. At a minimum, Congress should not be supporting additional oil production in what is meant to be climate policy, and enhanced oil recovery should not be eligible for tax credits under 45Q.

The current 45Q tax credit is ripe for abuse. A recent investigation by the U.S. Treasury Inspector General for Tax Administration and commissioned by Senator Menendez found that 87% of tax credits awarded under 45Q were claimed improperly, without complying with the Environmental Protection Agencies monitoring, verification, and reporting requirements. It is unclear whether the companies claiming to store carbon are even doing so.

There is no reason why subsidies for CCS in the power sector should be made more generous and less stringent. Proponents of carbon capture point to narrow uses, like retrofitting cement plants, as a justification for broad subsidies across sectors, and claim that capture can exceed 90%, yet fight against even a 75% capture requirement. Coal plants on the verge of retirement are seeing second lives in the promise of carbon capture. Unrestricted subsidies would not only keep coal and gas plants on the grid if they built carbon capture units, but would also keep plants online that will never adopt carbon capture hoping for a potential lifeline down the road - leading to even more climate destruction with none of the purported benefits.

Finally, continued support for CCS in the power sector will frustrate the clean energy and transportation provisions in the Build Back Better Act. Rather than acting as complements, allowing coal and gas plants to remain on the grid will crowd out renewables and divert critical funding, material, and other resources needed for the transition. Clean energy jobs are among the fastest growing segments of the economy, renewables provide energy for ratepayers at less cost, and are a much more efficient way to pursue a zero-carbon pollution energy grid.

Congress should not provide an unlimited subsidy to the fossil fuel industry that would entrench coal and gas power plants, exacerbate environmental injustice, and promote oil drilling. If CCS is used in the power sector at all, it should be subject to a strict capture requirement, ideally 90% but at least 75%. Congress should ensure that these facilities are not sited in disadvantaged communities already overburdened by fossil fuel pollution. Finally, Congress should eliminate eligibility for enhanced oil recovery under 45Q, as oil drilling subsidies have no place in climate policy.

Sincerely,

Center for International Environmental Law

Food & Water Watch

Friends of the Earth

Greenpeace USA

Indigenous Environmental Network

Institute for Policy Studies Climate Policy Program

Oil Change International

CC:

The Honorable Charles Schumer
Majority Leader, U.S. Senate

The Honorable Joseph Manchin
Chairman, Senate Committee on Energy and Natural Resources

The Honorable Robert Menendez
Chairman, Senate Foreign Relations Committee