

June 24, 2016

The Honorable Orrin Hatch
104 Hart Office Building
Washington, DC 20510

The Honorable Ron Wyden
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

We write in strong support of expanding and extending the 45Q tax credit. While this tax credit is backed by a number of industry and labor groups because of the economic benefits, our organizations also support carbon capture and storage (CCS) because it's an important technology for addressing climate change—and the 45Q tax credit is a key catalyst for its deployment.

Modeling carried out by the United Nations Intergovernmental Panel on Climate Change (IPCC) shows that experts are not certain that we will be able to limit warming to below 2 degrees Celsius without CCS and that having CCS in the toolbox is projected to reduce overall costs of climate protection. In short, having CCS available gives us more options and a more robust strategy.

The 45Q tax credit offers a fiscally responsible and cost-effective way to reduce carbon emissions. Under 45Q, entities are rewarded for each ton of CO₂ they capture and use or sequester, instead of venting it into the atmosphere. 45Q is also a good bargain; the proposed increase in the value of the credit is within the range of other existing low carbon energy tax incentives, such as the renewables Production Tax Credit (PTC). While we strongly support the renewable energy PTC, which has been a highly successful policy for reducing technology costs while eliminating emissions, we also believe that the expanded 45Q credit can accelerate the transition to a low-carbon future.

The first commercial-scale CCS power plants are facing the same kinds of challenges experienced by the early projects of other technologies, such as wind and solar. Just as we have seen with these other cases, deployment costs decrease with each new facility. In addition to these challenges, it is difficult to attract investors in a distorted marketplace, where it is still cheaper to dump CO₂ into the atmosphere (despite the associated long-term costs of climate change) than it is to capture and store it. This is why policy assistance is so important.

The government has previously offered some support for CCS—but assistance for this important technology has been relatively low or inaccessible in practice, when compared to policy support for other important low carbon options such as wind and solar. Making 45Q stable and predictable, and increasing the value of the credit to more accurately reflect the value of avoided CO₂ emissions, are necessary first steps towards securing financing and construction of projects.

The risk that climate change poses to our planet will require a suite of technologies – catalyzed by supportive policies. 45Q is a fiscally responsible and effective way to reduce emissions from power plants and industrial sources, and bring down the cost of important CCS technology. As such, we urge you to include an expansion and extension of 45Q in the Federal Aviation Administration reauthorization or any other tax vehicle.



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