

November 16, 2016

The Honorable Orrin Hatch  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the undersigned member companies and organizations, we request that Congress extend and strengthen the Section 45Q Tax Credit for Carbon Dioxide Sequestration in any year-end legislative vehicle for tax provisions. Section 45Q provides a tax credit for each ton of carbon dioxide (CO<sub>2</sub>) stored underground through enhanced oil recovery (EOR) and other geologic storage. It is the most important benefit in the tax code for incentivizing carbon capture utilization, and storage (CCUS) at power plants and industrial facilities.

On July 13 of this year Senators Heitkamp, Whitehouse and Capito introduced S. 3179, the Carbon Capture Utilization and Storage Act, which has eight Republican and ten Democratic co-sponsors. Additional Senators have expressed an interest in cosponsoring the bill as the Senate reconvenes post-election. GOP Majority Leader Mitch McConnell (R-KY), Assistant Democratic Leader 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), all co-sponsor the bill.

In the House, Congressman Conaway introduced H.R. 4622, the Carbon Capture Act, to extend and strengthen the 45Q tax credit; the House bill has 30 Republican and 15 Democratic co-sponsors representing 25 states.

Given the remarkable breadth of our coalition, which is virtually unprecedented in national energy policy, and the strength of the bipartisan support for both the Senate and House bills, we believe this opportunity is a genuine win-win for our nation's economy and environment.

Capturing power plant and industrial CO<sub>2</sub> and utilizing it through EOR yields additional American oil from existing wells that would otherwise not be accessed, thereby expanding domestic reserves and reducing imports. The U.S. independent oil and gas industry is the world leader in CO<sub>2</sub>-EOR and could produce billions of barrels of additional domestic oil from existing fields, while safely and permanently storing billions of tons of CO<sub>2</sub>. Realizing our full oil production and carbon storage potential requires more CO<sub>2</sub> available for the industry to purchase and put to productive use. Fortunately, four decades of commercial experience show that many industries—coal gasification, natural gas processing, chemicals, fertilizer, refining, ethanol and others—can become valued partners in supplying that additional CO<sub>2</sub>.

CCUS also represents a critical component of our nation's strategy for achieving greenhouse gas 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.

As you know, the Omnibus Appropriations Act of 2016 extended expiring tax benefits for the wind and solar industries. Inadvertently, some other energy credits, such as geothermal and fuel cell technologies, were not provided with a similar extension and are scheduled for expiration in the near future. Similarly, Section 45Q will expire the year in which the currently authorized 75 million tons of CO<sub>2</sub> are stored, and over half those credits have been claimed as of 2016. Due to long lead times for construction of such projects, the Section 45Q credit has, for practical purposes, already expired because the lack of financial certainty regarding future availability of credits deters private investment in new commercial CO<sub>2</sub> capture projects.

The Senate bill makes important improvements to the 45Q tax credit to drive private sector innovation and investment in commercial deployment of carbon capture projects. First, to extend 45Q, S. 3179 provides a seven-year window for developers to commence construction on carbon capture projects. Second, the bill increases the value of the credit per ton of CO<sub>2</sub> captured. Third, the bill lowers the threshold to allow industrial facilities to qualify for the tax credit. Fourth, the bill makes other technical improvements such as enhancing flexibility in utilization of the tax credit to enable a range of CCUS business models and facilitate accelerated investment in carbon capture technology.

We respectfully urge your inclusion of measures to extend and strengthen the 45Q tax credit in any year-end legislative vehicle for energy tax provisions. Our coalition stands ready to provide any additional information you might need on this issue and we very much appreciate your consideration of this request.

Sincerely,



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President and Chief Executive Officer  
Occidental Petroleum Corporation



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National Enhanced Oil Recovery Initiative



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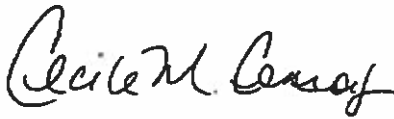
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#### **NEORI Participants**

AFL-CIO | AIR PRODUCTS, INC. | ARCH COAL, INC. | ARCHER DANIELS MIDLAND CO. | C12 ENERGY | CLEAN AIR TASK FORCE | CLOUD PEAK ENERGY, INC. | CONESTOGA ENERGY PARTNERS, LLC | EBR DEVELOPMENT, LLC | ENERGY INNOVATION REFORM PROJECT | ENHANCED OIL RECOVERY INSTITUTE, UNIVERSITY OF WYOMING | GE OIL & GAS | GLOBAL CCS INSTITUTE | GREAT RIVER ENERGY | INTERNATIONAL BROTHERHOOD OF BOILERMAKERS | INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS | JACKSON HOLE CENTER FOR GLOBAL AFFAIRS | JUPITER OXYGEN CORPORATION | LAKE CHARLES METHANOL | LI-COR BIOSCIENCES | LINDE LLC. | NATURAL RESOURCES DEFENSE COUNCIL | NRG ENERGY | OCCIDENTAL PETROLEUM CORPORATION | PEABODY ENERGY | PRAXAIR, INC. | SMART TD-UTU | SUMMIT POWER GROUP, LLC | TENASKA ENERGY | UNITED MINE WORKERS OF AMERICA | UTILITY WORKERS UNION OF AMERICA | WYOMING OUTDOOR COUNCIL

#### **NEORI Observers**

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