IIJA and IRA Funding Opportunities

Issue Area – Carbon Capture, Utilization, and Storage (CCUS)

Extension & Modification – Credit for Carbon Oxide Sequestration

The Inflation Reduction Act expanded and extended the 45Q tax credit for carbon dioxide sequestration.

Eligible Uses

CCUS or direct air capture (DAC)

U.S. facilities must meet minimum volumes:

- 1,000 metric tons CO_2/year for DAC facilities;
- 18,750 metric tons CO_2/year for generation facilities with carbon capture capacity of 75% of baseline; and
- 12,500 metric tons CO_2/year for any other facility.[1]

Multipliers

- x5 for meeting apprenticeship and wage requirements.

IRA Section 13104

Tax Code: 26 U.S. Code § 45Q

$12-36/metric ton, depending on application

Direct Pay? Yes
Transferable? Yes

Expiration Date – Facilities must be placed in service before January 1, 2033

Links –

- IRS – Inflation Reduction Act of 2022
- The White House – Clean Energy Tax Provisions in the Inflation Reduction Act

State Legislative Opportunities to Support

- Instruct the department of environment to inventory potential capacity for geologic sequestration of carbon. The inventory could include proximity to existing gas production and to gas distribution infrastructure.
- Instruct the department of environment to map existing pipeline rights of way available (now or in the future) for carbon transport.
- Develop or strengthen state incentives for the development and deployment of carbon capture technology.
- Direct the energy office, the commerce department, and/or the state's economic development authority to publish information about the tax credit, including the direct pay and transferability options, to increase awareness within the state's business community that may be interested in using carbon capture investments to meet ESG goals.

References

[1] The White House. n.d. "Clean Energy Tax Credit Provisions in the Inflation Reduction Act." The White House. https://www.whitehouse.gov/cleanenergy/clean-energy-tax-provisions/

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