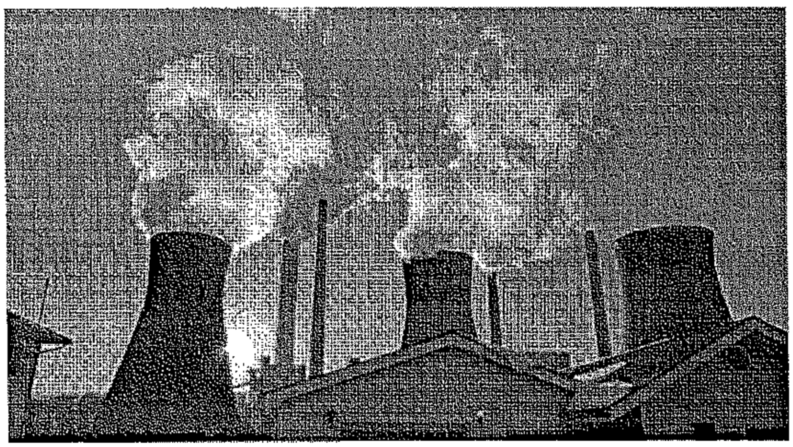
The legislation that energy states and climate advocates are backing



Roger May/WalkYourCamera.com

This is the John E. Amos coal-fired power plant in Winfield.

By Brad McElhinny in News | October 09, 2016 at 6:46AM

LOGAN, W.Va. — One of the most intriguing potential tools to ease the economic stress on the coal industry goes by a name unlikely to make your pulse jump with excitement.

45Q.

The name, which is a reference to its section of the federal tax code, might not be a grabber but it is getting some attention — at least among those who pay very, very close attention to energy issues –because of the disparate interests lining up to support it in Congress.

"Strange bedfellows seek tax fix for sequestration projects," wrote **Environment & Energy Publishing.**

"Coal companies, enviros back tax incentive extension for carbon capture projects," noted **Utility Dive.**

45Q gives tax credits to power plants that capture carbon dioxide and store it securely underground.

It's already law, but it is capped at a national limit of 75 million tons of carbon dioxide. After that, it would expire.

About 60 percent of the limit has already been reached, so new power plant projects being conceived couldn't count on having the tax credits available while they seek financing.

Legislation under consideration in both houses of **Congress** would remove that cap.

The legislation also would increase the credit per ton, providing more incentive for power plants to take on the expense of carbon capture projects.

Environmental advocates like the legislation because of its incentives for reducing carbon dioxide in the atmosphere, potentially curbing global warming.

Those affected by struggling energy markets are embracing the legislation for its potential to bring fossil fuels like coal back into competition.

So, **Hillary Clinton** has stated her support. Her vice presidential pick, Tim Kaine, is signed on as a cosponsor **in the Senate**, along with prominent Democrats like Dick Durbin and Cory Booker. Hey, and there's Al Franken!

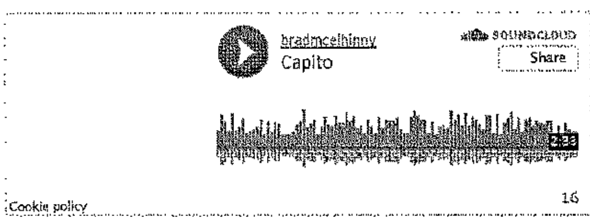
On the other side of the aisle, Senate Majority Leader Mitch McConnell is on board along with Republican senators like Lindsey Graham and Senate Energy Committee Chairwoman Lisa Murkowski.

Outside of Congress, **supporters include** Peabody Energy, Arch Coal, the AFL-CIO and the Center for Climate and Energy Solutions.

From a West Virginia perspective, Sen. Shelley Moore Capito is involved to the point that her name comes with the Senate version of the bill, the **"Heitkamp-Whitehouse-Capito legislation"** – also introduced by Sens. Heidi Heitkamp (D-ND) and Sheldon Whitehouse (D-RI).

"We're always looking for common ground," Capito said last week after a congressional subcommittee meeting about the Clean Power Plan that was held offsite in Logan.

"If we can marry the elements of the economy and the environment, that's a good thing. The more bipartisan buy-in you have gives it a better chance for success."



When U.S. Energy Secretary Ernest Moniz visited West Virginia last month for the Mid-Atlantic Region Energy Innovation Forum, he touted the tax credit extension.

"Getting the tax credits this year would be a very, very big deal. Having the tax credits in place and the trajectory for carbon reductions, in my view, is what the investment community needs," **said Moniz** before several dozen state energy leaders.

Congressman David McKinley, a Republican, and Senator Joe Manchin, a Democrat, were along for his visit and agreed that the tax credit extension would be a useful tool to spur more low-pollution energy development.

McKinley signed on to the **House version** of the 45Q bill, as did Congressman Evan Jenkins of southern West Virginia. McKinley's office contends that federal regulations like the Clean Power Plan make affordable carbon capture technology crucial.

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"If we do not extend these tax credits, more coal miners could be sent to the unemployment line," according to a statement from McKinley's office.

Such bipartisan support on energy issues is not uncommon among West Virginia's congressional delegation, but cooperation is especially likely in this case, observed Erin Burns, clean energy policy adviser for **Third Way**, a centrist think tank that is one of the groups advocating for 45Q.

Burns is a Kenova native and a former Manchin staffer, so in addition to her official role she's particularly attuned to West Virginia's stake in this issue.

"I don't think it's surprising because the West Virginia delegation works together on a lot of issues that they see eye-to-eye on," Burns said. "More specifically, as it comes to 45Q and carbon capture, there are a lot of reasons to support it."

Carbon capture has long been a hope of the fossil fuels industry, but its expense has kept it from catching on. Plants using carbon capture technology may capture 90 percent of carbon dioxide emissions and permanently store them underground.

Both sides of the climate debate agree that some mix of fossil fuels will be part of the nation's energy mix well into the future.

Carbon capture technology will be essential to meet mid-century climate goals of keeping global temperature rise within 2 degrees Celsius of preindustrial levels, according to — hang on for this title — **the Intergovernmental Panel on Climate Change Fifth Assessment Synthesis Report.**

So that's why, from various perspectives, the tax credit is considered a crucial incentive.

"We have to create a future in which utilities can build new, clean efficient coal plants," said Eugene Trisko, counsel to the United Mine Workers. "That future depends on the ability to deal with the carbon issue in an inexpensive way."

The current tax credit is $20 a metric ton for carbon dioxide that is captured and disposed in secure geological storage or $10 per metric ton for CO2 that is captured and then used as a tertiary injectant in projects meant to increase the amount of oil that can be extracted from an oil field.

Under the legislation under consideration, the tax credits would increase to $50 or $35.

Even with incentives, carbon capture technology may still prove too expensive for many utilities planning to build new plants, said Jeri Matheney, communications director for Appalachian Power.

"We just can't take advantage of the tax credits because even with the credits, carbon capture and storage isn't economically viable," Matheney said.

"It's never a closed door for us because we're always looking at what might work for our customers, but for right now it's not something we're pursuing. When we look at next generation, it's going to be gas or it's going to be renewables."

If the tax credits could be extended indefinitely, rather than capping, that would at least give utilities some certainty as they approach new, expensive projects, said Jeff Bobeck, senior advisor for policy at the **Global Carbon Capture and Storage Institute**, which advocates for the development and deployment of carbon capture.

"Carbon capture projects are big, they're expensive. They will be effective," Bobeck said. "The only way they'll be effective is if they're financed and built."

Because power plant projects are so expensive and may take five to 10 years to build, those financing such projects need to know very soon what tax credits might be available, said Fatima Maria Ahmad, solutions fellow for the **Center for Climate and Energy Solutions** think tank.

Ahmad, like others, has some hope Congress will act on the tax credits when it reconvenes after Election Day and before the new year.

"It's really impressive that we have such leaders in Congress signing off as cosponsors," Ahmad said. "That gives me a lot of hope for the end of the year."

She said clean energy development — including wind, solar and carbon capture — all require stable, long-term policy incentives.

"It just shows that in this particular area, there's a lot of consensus, even though in energy policy we think of gridlock. In this issue we find consensus that cuts across all that."

Brad McElhinny

brad.mcelhinny@wvmetronews.com

@BradMcElhinny

Brad McElhinny is the statewide correspondent for MetroNews. Brad is a Parkersburg native who spent more than 20 years at the Charleston Daily Mail.

CARBON CAPTURE

Strange bedfellows seek tax fix for sequestration projects

Christa Marshall, E&E News reporter
E&E Daily: Thursday, February 4, 2016

A coalition of fossil fuel companies and environmental groups are pushing for a legislative tax fix to boost carbon capture and sequestration projects.

They say that the CCS industry is facing a looming expiration date, similar to the renewable industry's dilemma last year before the extension of solar and wind tax credits.

In a letter sent to the U.S. House Committee on Ways and Means, a varied set of interests ranging from Peabody Energy Corp. to the Natural Resources Defense Council urge lawmakers to support a permanent extension of the federal Section 45Q tax credit for carbon dioxide sequestration.

Rep. Mike Conaway (R-Texas) is expected to introduce legislation with such a permanent extension in the coming weeks. There also are discussions for a new companion bill in the Senate, according to one supporter of the letter.

The 45Q provision currently awards a credit of $10 per ton of stored industrial carbon dioxide used in enhanced oil recovery projects and $20 per ton for carbon dioxide stored underground in deep rock reservoirs.

However, the program expires once 75 million tons of CO2 are stored, and about half of the available credits have been claimed by various industrial projects, according to the letter. For the CCS industry, the cap provides a disincentive for developers to start projects now, as they might not be able to claim the tax credit years later when CO2 capture and storage is operational at a given project.

"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 CO2 capture projects," the letter says. The 20 signers include oil and gas companies like Occidental Petroleum Corp. and Arch Coal Inc., as well as entities like the Clean Air Task Force and Third Way.

Along with ending the 75-million-ton cap, Conaway's bill is expected to increase the credit value for CO2 storage higher than $20 a ton.

"The diversity of coal companies, oil interests and environmental groups supporting these CCS incentives is remarkable and indicates likely deep bipartisan support in Congress when legislation is introduced," said Paul Bledsoe, a former Clinton White House energy and climate aide. "Given current low oil and natural [gas] prices, such financial incentives are absolutely critical to getting CCS more widely deployed and fulfilling its environmental and enhanced oil recovery promise."

The letter comes on the heels of several delays or cancellations of high-recognition projects. Yesterday, Southern Co. subsidiary Mississippi Power announced the under-construction Kemper coal plant -- which would be the nation's first large CCS project on a coal generator -- would not be operational until the third quarter of the year (*Greenwire*, Feb. 3). The FutureGen Alliance also formally ended efforts to revive another large CCS project in Illinois last month after it lost earlier DOE financial support.

The challenges have prompted critics to say that federal and investor money would be better spent on renewable power and energy storage, among other things. However, CCS supporters note that coal- and gas-fired power plants still account for about 40 percent of the world's CO2 emissions and that CO2 capture and storage is the only way to curb those emissions, particularly in countries with growing fossil fuel use.

The Section 45Q issue has been percolating in Congress for years, after business and environmental interests formed the National Enhanced Oil Recovery Initiative in 2012 to boost the CCS tax incentive (*ClimateWire*, Feb. 29, 2012). Sen. Heidi Heitkamp (D-N.D) and former Sen. Jay Rockefeller (D-W.Va.) supported legislation in 2014 that would expand the tax credit, for example.

Separately, several provisions supporting CCS moved through the Senate this week as amendments to a major energy package under consideration on the Senate floor, although they do not address 45Q.

One amendment from Heitkamp and several Democratic and Republican co-sponsors passed by voice vote. It calls for continued focus and investment on the technology and also urges DOE to produce a report to Congress on the "costs and benefits" of DOE entering into contracts to purchase CO2 at a guaranteed price from CCS projects.

Another passed amendment from Sen. John Barrasso (R-Wyo.) would expand DOE's authority to award technology prizes to projects that separate carbon dioxide from dilute sources. It does not have a companion bill in the House, according to the senator's office.

Twitter: **@christa_mars** | Email: **cmarshall@eenews.net**

energy

This Climate Change Measure Has Fossil Fuel Companies and Green Groups Working Together

Justin Worland
Feb 07, 2017

A rare coalition of energy companies, green groups and trade unions united this month to support a measure before Congress that helps fight greenhouse gas emissions by providing a tax credit for capturing and storing carbon dioxide.

The provision — known as the Section 45Q tax credit — grants a tax incentive to energy and industrial companies that store carbon dioxide through a set of technologies commonly known as carbon capture and sequestration (CCS), rather than releasing the pollutant into the atmosphere.

Support for a measure strengthening the tax credit came in the form of a letter sent last week to members of Congress. Representatives of environmental groups like the Natural Resources Defense Council, unions like the AFL-CIO and companies like Arch Coal, the country's second largest coal producer, signed the letter.

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CCS "represents an essential component of our nation's strategy for achieving greenhouse gas emissions reductions," the letter says. "This opportunity represents a genuine win-win for our nation's economy and environment."

Many environmental groups and energy companies have high hopes that CCS can play a game-changing role in the energy sector, as policies increasingly demand reductions in global warming-causing carbon dioxide emissions. The CCS process typically involves pipelines that transport carbon dioxide away from a power plant or another industrial site to an injection well that dumps the pollutant thousands of feet underground, where it cannot enter the atmosphere. Other CCS projects actually use the gas for other purposes like improved oil recovery.

Read More: Researchers Turn CO2 Into Stone in Climate Change Breakthrough

Many environmental policymakers say that widespread adoption of CCS in the coming decades may be key to stopping the most devastating effects of climate change. The level of carbon dioxide in the atmosphere has already exceeded 400 parts per million, a level some scientists have described as unsustainable. Others remain deeply skeptical of the technology because a few high-profile projects failed to deliver as promised.

The legislative push for CCS is a renewed fight after a measure bolstering the tax credit did not receive a floor vote last year, but enjoyed broad support from Republicans and Democrats. (The coalition also sent a letter with close to identical language last year.) "When utilities, coal companies, and environmental groups come together to support your bill," Senator Heidi Heitkamp, a North Dakota Democrat, said last year in a statement, "you know you're onto something that could work."