

## The New Section 45Q Carbon Capture and Sequestration (CCS) Credit

15<sup>th</sup> Biennial Parker C. Fielder  
Oil and Gas Tax Conference  
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Moderator:

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Panelists:

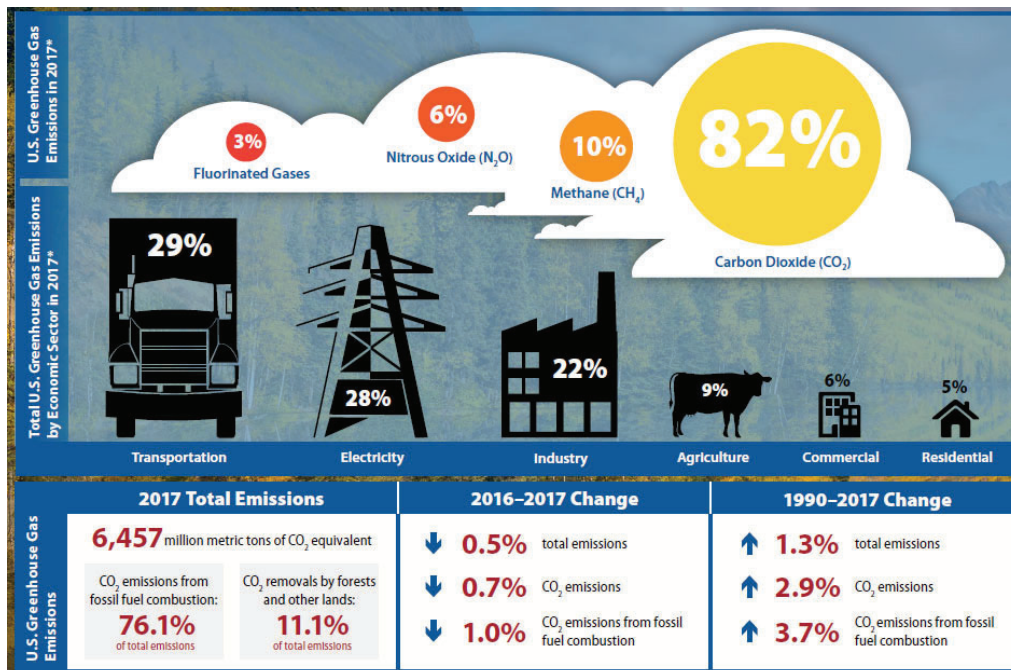
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## EPA – Fast Facts 1990-2017 U.S. Greenhouse Gas Inventory

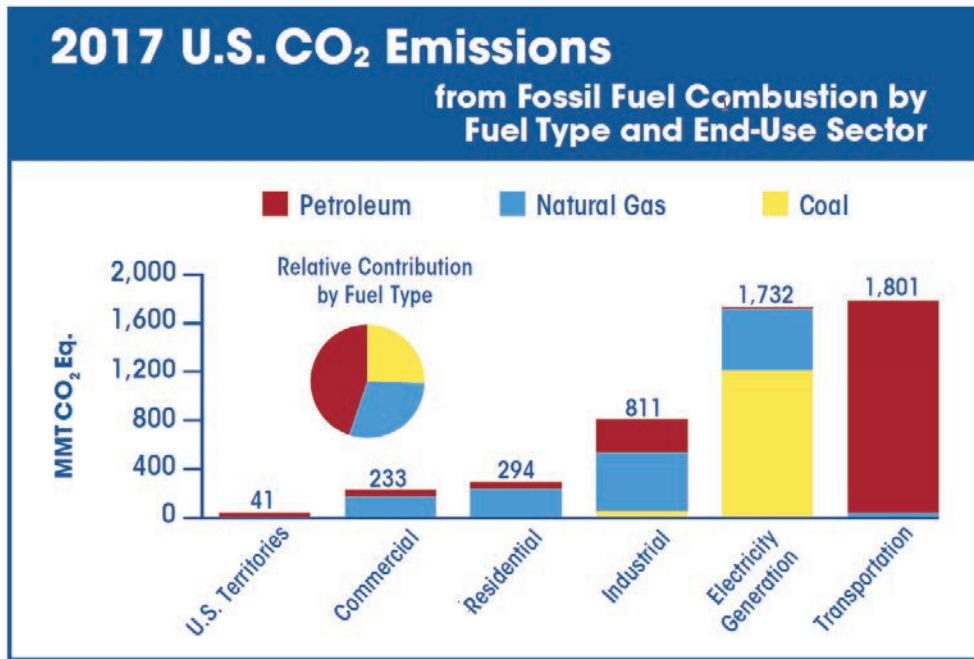


See [https://www.epa.gov/sites/production/files/2019-04/documents/2019\\_fast\\_facts\\_508\\_0.pdf](https://www.epa.gov/sites/production/files/2019-04/documents/2019_fast_facts_508_0.pdf)

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## EPA – Fast Facts (cont.)



Note: Electricity generation also includes emissions of less than 0.5 Tg CO<sub>2</sub> Eq. from geothermal-based electricity generation.

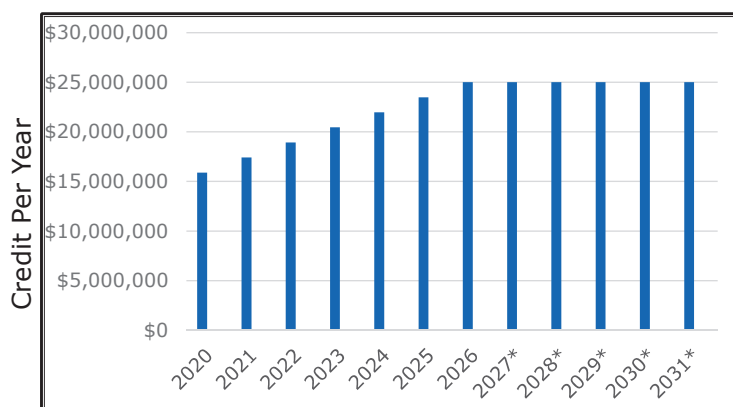
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## Why Now?: Very Significant Credit Amount

- Carbon capture equipment placed in service (PIS) in 2020 capturing and securely storing 500,000 metric tons (MT) of qualified carbon oxide per year yields about **\$260M** of credits over 12 years
  - 1M MT provides about **\$520M** of credits



\*Amounts will be adjusted for inflation after 2026. For purposes of illustration, inflation adjustment has not been included.

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## Why Now?: Investor Appetite Expected

- Taxpayers seeking to reduce tax liability in context of decreasing values of ITC and PTC with longer term availability of 45Q credit

| Section 48 ITC-eligible facilities  |                          |  |            |
|---|--------------------------|--|------------|
| Type of energy property   | Date construction begins | Placed in service date                                     | ITC amount |
| Solar   | before 1/1/20            | before 1/1/24  | 30%        |
|   | 1/1/20 – 12/31/20        | before 1/1/24  | 26%        |
|   | 1/1/21 – 12/31/21        | before 1/1/24  | 22%        |
|   | before 1/1/22            | on or after 1/1/24   | 10%        |
|   | on or after 1/1/22       | any  | 10%        |
| Fiber-optic solar, Qualified fuel cell and Qualified small wind                 | before 1/1/20            | before 1/1/24  | 30%        |
|   | 1/1/20 – 12/31/20        | before 1/1/24  | 26%        |
|   | 1/1/21 – 12/31/21        | before 1/1/24  | 22%        |
|   | before 1/1/22            | on or after 1/1/24   | 0%         |
|   | on or after 1/1/22       | not applicable   | 0%         |
| Geothermal  | any                      | any  | 10%        |
| Qualified microturbine, Qualified heat and power (CHP) and Geothermal heat pump | before 1/1/22            | any  | 10%        |
|   | on or after 1/1/22       | not applicable   | 0%         |
| Section 45 PTC-eligible facilities  |                          |  |            |
| Type of energy property   | Date construction begins | Otherwise available PTC (or ITC in lieu of PTC) reduced by |            |
| Wind  | before 1/1/2017          | 0%   |            |
|   | 1/1/2017 – 12/31/2017    | 20%  |            |
|   | 1/1/2018 – 12/31/2018    | 40%  |            |
|   | 1/1/2019 – 12/31/2019    | 60%  |            |
|   | after 12/31/2019         | 100%   |            |
| Other PTC-eligible technologies*  | before 1/1/2018          | 0%   |            |
|   | after 12/31/2017         | 100%   |            |

\*Includes closed-loop biomass, open-loop biomass, geothermal energy, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy facilities.

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## Why Now?: Substantial Changes to 45Q

- Section 45Q originally added to Code in 2008 by the Energy Improvement and Extension Act
- Bipartisan Budget Act of 2018 (BBA) signed into law on February 9, 2018, greatly expanded section 45Q
- Significant changes include:
  - Increase in the credit amount
  - Owner of the carbon capture equipment entitled to credit
  - Cap on total credit replaced with a 12-year credit period
  - Credits transferable in some cases
  - Credit available for captured carbon oxides, not just carbon dioxide
  - Minimum carbon capture thresholds decreased
  - Credit available for broader range of sequestration methods

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## Title search: The New Section 45Q Carbon Capture and Sequestration (CCS) Credit

Also available as part of the eCourse

[2019 Biennial Parker C. Fielder Oil and Gas Tax eConference](#)

First appeared as part of the conference materials for the  
15<sup>th</sup> Biennial Parker C. Fielder Oil and Gas Tax Conference session  
"The New Section 45Q Carbon Capture and Sequestration Credit  
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