

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

15th Biennial Parker C. Fielder
Oil and Gas Tax Conference
November 21, 2019

Moderator:

Brian Americus, Deloitte Tax LLP - Washington, DC

Panelists:

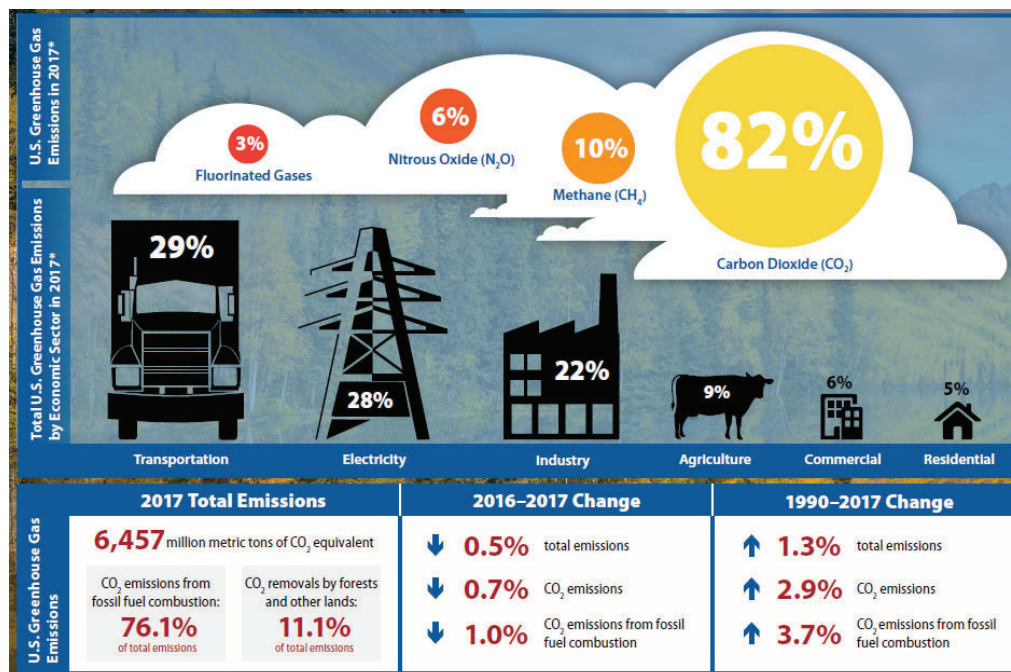
Robert McCann, Internal Revenue Service - Houston, TX

Amish M. Shah, Eversheds Sutherland (US) LLP -
Washington, DC

Aaron D. Vera, Exxon Mobil Corporation - Spring, TX

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

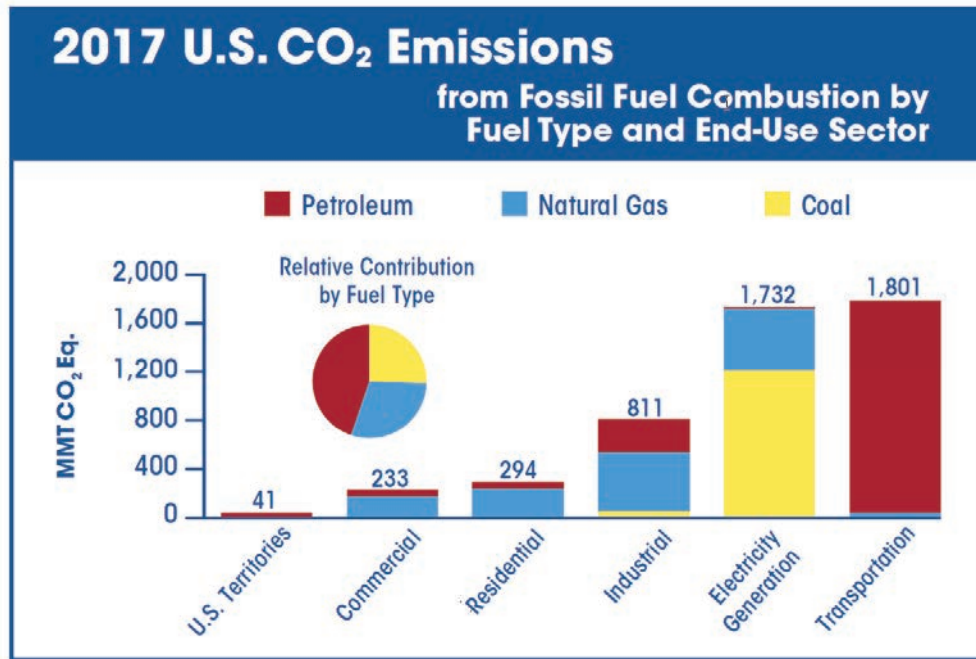


See https://www.epa.gov/sites/production/files/2019-04/documents/2019_fast_facts_508_0.pdf

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EPA – Fast Facts (cont.)

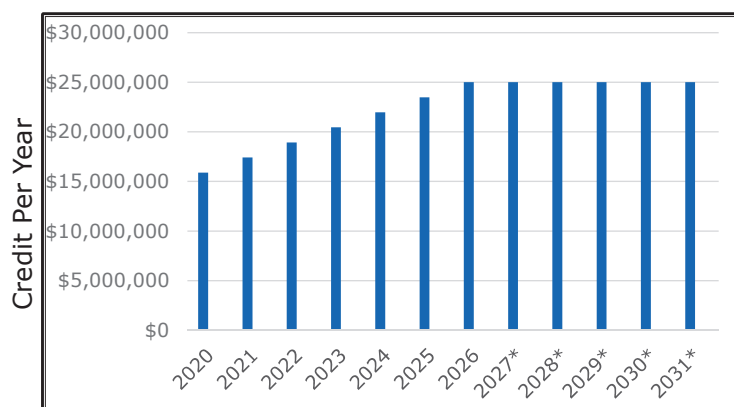


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Why Now?: Very Significant Credit Amount

- 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

[Domestic Tax Issues for Oil and Gas: Partnership Audit Rules, 1031 Updates, and the Section 45Q Credit](#)

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