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UTLAW CLE

 **TEXAS Law**
The University of Texas at Austin
School of Law

16TH BIENNIAL PARKER C. FIELDER OIL, GAS, AND ENERGY TAX CONFERENCE

Section 45Q - Credit for carbon oxide
sequestration

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Speakers

- Julie Chapel, KPMG – Moderator
- Joshua L. Belcher, Holland & Knight LLP
- Jennifer Bernardini, Treasury Department
- Jennifer Buchanan, Occidental Petroleum Corporation
- Todd Lowther, Shearman & Sterling

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Agenda

- Introduction
- Background and what's new in the IRA
- Current commercial structures and financing considerations
- Storage considerations

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Background

- Credit attributable to: Generally, credit claimed by owner of carbon capture equipment.
 - Must also physically or contractually ensure the capture and disposal, utilization, or use as a tertiary injectant of the qualified carbon oxide (CO)
- Taxpayer claiming 45Q credit
 - Must own one component of carbon capture equipment
 - Need not own industrial facility
- Carbon capture equipment = Components of property that are used to capture or process CO until the CO is transported for disposal, injection, or utilization.
 - Components of property related to the transport of CO for disposal, injection or utilization are not considered part of the carbon capture equipment.

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Background (cont.)

- Owner of carbon capture equipment can transfer credit to:
 - Person that disposes of carbon oxide
 - Person that uses carbon oxide in EOR, or
 - Person that otherwise “utilizes” the carbon oxide
- Binding written contract and specific tax reporting obligations required if election to transfer is made

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IRA Considerations

- New credit rates (per metric ton of carbon oxide)
 - Permanent Storage - base credit rate = \$17; bonus credit rate = \$85
 - EOR/Utilization - base credit rate = \$12; bonus credit rate = \$60
 - Direct Air Capture (SGS) - base credit rate = \$36; bonus credit rate = \$180
 - Direct Air Capture (EOR/Utilization) - base credit rate = \$26; bonus credit rate = \$130
 - Rates indexed for inflation after 2026
- Minimum capture thresholds decreased

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