The Carbon Capture Modernization Act would modify the Section 48A tax credit for coal-based power plants to incentivize deployment of carbon capture technology.

**SUMMARY**

The Carbon Capture Modernization Act will improve the utility of the 48A tax credit and enable investment in carbon capture to reduce emissions from the power sector. The bill acts as a companion to other financing efforts, such as the 45Q tax credit, to dramatically spur more deployment of carbon capture, utilization and storage technologies at coal and natural gas generation and other industrial facilities. Carbon capture is widely recognized as a critical emissions reduction technology to meeting global decarbonization goals, and removing barriers to implementing this technology will lead to more widespread adoption.

**HISTORY:**

The Section 48A tax credit was enacted as part of the Energy Tax Incentives Act (ETIA) of 2005. The original credit was not designed with carbon capture projects in mind and authorized $1.3 billion to support advanced coal-based generation technology. In 2008, an additional $1.25 billion was provided through the Energy Improvement and Extension Act (EIEA) of 2008. A new requirement imposed that projects must capture and store at least 65% of carbon emissions in order to be eligible for the tax credits. Unfortunately, the 2005 and 2008 laws created eligibility standards that are not technically or economically feasible for carbon capture retrofit projects to meet, which has left nearly $2 billion in unused credits. The Carbon Capture Modernization Act seeks to improve the tax credit to incentivize the deployment of carbon capture technologies.

**SPECIFICS:**

The Carbon Capture Modernization Act makes a number of common-sense improvements to the existing tax credit to unlock the benefits of the program and encourage wider investment to reduce emissions from coal facilities.

- Adjusts the efficiency (heat rate) requirements for new and retrofit projects if they include carbon capture to account for the efficiency loss when carbon capture equipment is added.
- Amends the capture and sequestration requirement to 60% for retrofit applications at existing facilities as the previous threshold was too high for retrofits and limited the implementation of the technology.
- Lowers the credit eligibility threshold for generating capacity from 400 megawatts (MW) to 200 MW which allows smaller units to be eligible to qualify for the credit.

**ORIGINAL SPONSORS:**

Sen. John Hoeven (R-ND)
Rep. McKinley (R-WV)

**COSPONSORS:**

(R-WV), Rep. Pete Stauber (R-MN), Rep. Marc Veasey (D-TX), Rep. Carol Miller (R-WV)


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