

Center for Biological Diversity * Chesapeake Climate Action Network * Clean Water Action * Earth Day Network * Earthjustice * Earthworks * Environment America * Friends of the Earth * GreenLatinos * Greenpeace * Institute for Policy Studies—Climate Policy Program * International Forum for Globalization * Labor Network for Sustainability * Montana Environmental Information Center * Nuclear Information & Resource Service * Oil Change International * Onward Oregon * Oregon Environmental Council * Physicians for Social Responsibility * Public Citizen * Rachel Carson Council * Rainforest Action Network * Safe Climate Campaign * Southern Oregon Climate Action Now * SustainUS * Students for a Just and Stable Future * WildEarth Guardians * 350PDX* 350.org

13 July 2016

Dear Senator:

On behalf of our millions of members and activists we write to express our opposition to any government subsidy for carbon capture for the purpose of Enhanced Oil Recovery (EOR). Rather than sequestering the CO₂, EOR is used to produce an even greater supply of climate polluting fuels. Proposals to incentivize CO₂ injection for EOR (CO₂-EOR), including an expansion or extension of the Section 45Q tax credit for Carbon Capture and Sequestration (CCS), would merely add another subsidy to the billions of dollars that big oil already receives from taxpayers every year.

When it was enacted as part of the Emergency Economic Stabilization Act of 2008, Congress intended Section 45Q to promote the development of carbon capture technologies that would keep carbon pollution from entering the atmosphere. Congress recognized that EOR should not be the goal of sequestration but hoped developing carbon capture for EOR would prove to be a step towards CCS. To ensure that full scale CCS was developed Congress set the value of the tax credit at \$10 per ton of CO₂ captured for EOR but \$20 per ton for permanent CCS. It has become clear that CO₂-EOR will not be a pathway towards CCS.

Section 45Q has been in the tax code for nearly eight years and roughly half the credits have been claimed. In 2010 the Department of Energy (DOE) commissioned a study to examine if investments in EOR would expedite the scaling up of utility-scale CCS.¹ However, the DOE study found that encouraging EOR with captured CO₂ will not encourage CCS. Subsidies for CO₂-EOR only encourage oil industry growth because CO₂ injection is such a valuable method for extracting more oil from otherwise exhausted reserves.

It is no surprise that there is no climate benefit to encouraging oil industry growth to help secure a future for coal combustion. Phasing out coal, oil and gas is the only viable pathway to avoiding the most dangerous impacts of climate change.

The oil industry wants the 45Q credit extended so it can serve as a long term subsidy of their existing business plans. The industry has largely exhausted natural supplies of CO₂ that it uses in EOR and sees a convenient pathway to get taxpayers to help subsidize their business costs. A bill introduced by Representative Conaway in the House would triple the credit for CO₂ used in EOR, remove any

1 Dooley, et al. "CO₂-driven Enhanced Oil Recovery as a Stepping Stone to What?" prepared for the US Department of Energy. July 2010. Accessed 6 March 2015. http://www.pnl.gov/main/publications/external/technical_reports/PNNL-19557.pdf

preference for CO2 sequestered, and make the credit permanent. Senator Heitkamp attempted to attach similar language as a rider in the Senate. This would put a new taxpayer handout to the oil and gas industry on the books and potentially cost taxpayers billions of dollars.

Enhancing oil recovery is not a climate solution. Neither is further subsidizing the oil industry. In fact both are a step in the wrong direction. That is why we ask you to oppose any attempts to extend or expand the Section 45Q tax credit.

Thank you,

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