



# SIGN-ON LETTER: OPPOSE EXPANDING THE SECTION 45Q TAX CREDIT FOR OIL, GAS AND COAL COMPANIES

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November 2017

Dear Senator / Representative,

Attempts to address climate change must not be built on the backs of communities at the frontline of the fossil fuel industry and the unfolding climate crisis. Policies that hand billions of taxpayer dollars to the fossil fuel industry, extending the life of coal power plants and incentivizing companies to pump more oil, are false solutions.

Therefore, we, as organizations from frontline communities and organizations in solidarity with those most impacted by climate change and the fossil fuel industry, urge you to reject the Furthering carbon capture, Utilization, Technology, Underground storage, and Reduced Emissions (FUTURE) Act (S.1535) / Carbon Capture Act (H.R.1379), and reject its inclusion in a tax policy package. This bill would change Section 45Q of the U.S. tax code to extend and expand subsidies for coal- and gas-fired power plants (and industrial facilities) to capture and sequester CO<sub>2</sub> or sell CO<sub>2</sub> to oil companies to recover hard-to-get oil from aging fields.

- The additional oil production and coal- and gas-fired power generation (using carbon capture and sequestration (CCS) technology) enabled by the expansion of the 45Q tax credit pose serious risks to the health of local communities and ecosystems.
- The additional production of oil would directly lead to as much as 50.7 million metric tons of CO<sub>2</sub> emissions annually that would otherwise not be emitted - arguably more. This is equal to the annual emissions from 12.5 coal-fired power plants.
- The portion of the bill that benefits the oil industry would alone cost American taxpayers as much as \$2.8 billion every year,<sup>1</sup> robbing the public purse of resources that could be used for just recovery from disasters made worse by climate change.

## **Coal and Carbon Capture and Sequestration:**

The Department of Energy (DOE) projects that the proposed tax credit will enable additional electricity generation from coal power plants built or retrofit with CCS technology.<sup>2</sup> The levels of some pollutants may stay the same or even increase from facilities using CCS. Because coal power plants tend to be disproportionately located in low-income communities and communities of color, including Native American reservations, 45Q expansion is an environmental justice issue.<sup>3</sup>

Also, due to the fact that carbon capture requires additional energy inputs, lifecycle emissions of some upstream and downstream pollutants may increase.<sup>4</sup> If a number of coal-fired power plants are kept alive by the more generous tax credit provisions, impacts on communities and

tribes near these plants, coal ash disposal sites, transportation routes, and coal mines will grow as a result.

### **Oil and Enhanced Oil Recovery:**

The injection of CO<sub>2</sub> into aging oil fields to increase production has helped extend the life of some fields by more than 25 years.<sup>5</sup> Expanding the tax credit for CO<sub>2</sub>-enhanced oil recovery (EOR) is an environmental justice issue because people of color disproportionately live by oil and gas development, where pollutants released into local air and water can have severe negative health impacts.<sup>6</sup> In California, for example, of the population living within one mile of oil and gas development and in communities identified as most vulnerable by the California Environmental Protection Agency, nearly 92 percent are people of color.<sup>7</sup>

### **Additional Climate Pollution:**

According to the DOE, the proposed changes to the 45Q tax credit would result in an additional 400,000 barrels per day of CO<sub>2</sub>-enhanced oil production in the U.S. in 2035,<sup>8</sup> which would directly lead to as much as 50.7 million metric tons of CO<sub>2</sub> emissions annually. That's equal to the annual emissions from more than 11 million cars or 12.5 coal-fired power plants. Communities of color, Native Americans, including Alaska Natives, and low-income communities are hit by the climate crisis first and worst.

### **Largest Subsidy to the Fossil Fuel Industry:**

If 45Q is expanded as proposed, just the subsidy to oil producers alone could cost taxpayers as much \$2.8 billion each year. That would make it the single biggest handout to the fossil fuel industry in the United States – and it still doesn't count taxpayer dollars spent incentivizing coal and gas power plants to use CCS technology. This money could instead be spent on a just recovery for communities devastated by disasters like Harvey, Irma, and Maria.

Instead of expanding the 45Q tax credit to fossil fuel companies, lawmakers should:

- Allow the existing 45Q tax credit to expire, as intended;
- Request a congressional investigation of which entities have availed themselves of the existing 45Q tax credit to date, to determine what proportion of the subsidy has been used for permanent CO<sub>2</sub> storage as opposed to enhanced oil production, and make those findings publicly available;
- Request a full lifecycle analysis of the potential public health, ecosystem, and habitat impacts of co-pollutants emitted from additional coal-fired power generation enabled by 45Q; and
- Finance a just recovery in communities impacted by climate-exacerbated disasters and support a just transition to a clean energy economy centered in frontline grassroots climate solutions and community and tribal resilience.

Increasing harm to local communities is never smart energy policy. Subsidizing coal, gas, and oil companies is never a climate solution.

Sincerely,

Asamblea de Gonzales  
Asian Pacific Environmental Network

Citizens Coalition for a Safe Community  
Climate Justice Alliance  
Comite Civico Del Valle  
Crockett-Rodeo United to Defend the Environment (C.R.U.D.E.)  
Del Amo Action Committee  
Eastern Michigan Environmental Action Council  
Environmental Health Trust - West Coast Division  
The Environmental Justice Coalition for Water  
Grayson Neighborhood Council  
Greenaction for Health and Environmental Justice  
Indiana State Conference of the NAACP  
Indigenous Environmental Network  
Interfaith Climate Action Network of Contra Costa County  
IVAN Environmental Justice Task Force  
Kentuckians For The Commonwealth  
Little Village Environmental Justice Organization  
Maryland Environmental Health Network  
Oakland Community Food and Justice Coalition  
Peninsula Interfaith Climate Action  
Sunflower Alliance  
Texas Environmental Justice Advocacy Services (T.e.j.a.s.)  
La Union Hace La Fuerza  
West Berkeley Alliance for Clean Air and Safe Jobs  
West Oakland Environmental Indicators Project

The Alliance for Appalachia  
Bold Alliance  
Catskill Mountainkeeper  
Chesapeake Climate Action Network  
Clean Water Action  
ClimateTruth.org  
Earthjustice  
Food & Water Watch  
Friends of the Earth  
Greenpeace USA  
Institute for Policy Studies - Climate Justice Program  
Mount Shasta Bioregional Ecology Center  
Oil Change International  
People's Action  
Public Citizen  
UMBC Progressives  
350.org

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<sup>1</sup> This analysis focuses on the impact of the proposed legislation on the oil industry and oil production in particular. Additional research is needed to quantify the full amount of additional production that the credit would unlock, the billions of dollars in potential tax credits for coal or gas power plants to pump CO2 directly into the ground, and the costs to local residents and American taxpayers from the public health impacts of extending and increasing coal- and gas-fired power generation enabled by 45Q.

<sup>2</sup> Department of Energy, "Carbon Capture, Utilization, and Storage: Climate Change, Economic Competitiveness, and Energy Security," August 2016, [https://energy.gov/sites/prod/files/2016/09/f33/DOE%20Issue%20Brief%20-%20Carbon%20Capture%20Utilization%20and%20Storage\\_2016-08-31.pdf](https://energy.gov/sites/prod/files/2016/09/f33/DOE%20Issue%20Brief%20-%20Carbon%20Capture%20Utilization%20and%20Storage_2016-08-31.pdf)

<sup>3</sup> Wilson, A., "Coal Blooded: Putting Profits before People," NAACP, Indigenous Environmental Network, Little Village Environmental Justice Organization, November 2012. <http://www.naacp.org/wp-content/uploads/2016/04/CoalBlooded.pdf>

<sup>4</sup> Koornneef, J., et al., "Chapter 2: Carbon Dioxide Capture and Air Quality," in Mazzeo, N., Ed., "Chemistry, Emission Control, Radioactive Pollution and Indoor Air Quality", Environmental Sciences, July 27, 2011, ISBN 978-953-307-316-3. <https://www.intechopen.com/books/chemistry-emission-control-radioactive-pollution-and-indoor-air-quality/carbon-dioxide-capture-and-air-quality>

<sup>5</sup> IHS Energy, "CO2 EOR Potential in North Dakota—Challenges, policy solutions, and contribution to economy and environment," June 2016. <http://www.legis.nd.gov/files/committees/64-2014%20appendices/IHS%20Energy%20-%20Final%20Report.pdf>

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<sup>6</sup> McCabe, D., et al., "Health Risks in Texas from Oil and Gas Industry Air Pollution," Clean Air Task Force and EarthWorks, June 2017. <http://www.catf.us/resources/factsheets/files/HealthEffectsTX.pdf>; Johnston, J., et al., "Wastewater Disposal Wells, Fracking, and Environmental Injustice in Southern Texas," American Journal of Public Health, 2016 March; 106(3): 550-556. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4816143/>; Geraci, M., et al., "The Environmental Risks and Oversight of Enhanced Oil Recovery in the United States," Clean Water Action, August 2017. <https://www.cleanwateraction.org/publications/EOR-risks>

<sup>7</sup> Srebotnjak, T., et al., "Drilling in California: Who's at risk?" National Resources Defense Council, October 2015, <https://www.nrdc.org/sites/default/files/california-fracking-risks-report.pdf>

<sup>8</sup> DOE estimates show a base case of approximately 850 kbpd from CO<sub>2</sub>-enhanced oil production in 2035, and a total of 1250 kbpd with the 45Q tax credit. Department of Energy, "Carbon Capture, Utilization, and Storage: Climate Change, Economic Competitiveness, and Energy Security," August 2016, [https://energy.gov/sites/prod/files/2016/09/f33/DOE%20Issue%20Brief%20-%20Carbon%20Capture%20Utilization%20and%20Storage\\_2016-08-31.pdf](https://energy.gov/sites/prod/files/2016/09/f33/DOE%20Issue%20Brief%20-%20Carbon%20Capture%20Utilization%20and%20Storage_2016-08-31.pdf)