



SIGN-ON LETTER: NO SUBSIDIES FOR ENHANCED OIL PRODUCTION

November 2017

Dear Senator,

On behalf of our millions of members we write to express our opposition to the Furthering carbon capture, Utilization, Technology, Underground storage, and Reduced Emissions (FUTURE) Act (S.1535) and any attempts in a tax policy package to extend or expand subsidies for enhanced oil recovery (EOR). Rather than sequestering CO₂, EOR is used to increase production of climate polluting fuels. Proposals to incentivize CO₂ injection for the purpose of increased oil production, including the FUTURE Act's/ Carbon Capture Act's expansion and extension of the Section 45Q tax credit for carbon capture and sequestration (CCS), would add yet another taxpayer subsidy to the more than \$20 billion that the fossil fuel industry already receives every year.¹

When Section 45Q was enacted as part of the Emergency Economic Stabilization Act of 2008, Congress recognized that oil production should not be the goal of carbon sequestration, but hoped developing carbon capture for EOR would prove to be a step towards CCS. However, a 2010 Department of Energy-commissioned analysis suggests that there is little evidence that increased CO₂-EOR deployment is a necessary or beneficial step towards the commercial deployment of CCS.²

Section 45Q has been in the tax code for nearly eight years and more than half the credits have been claimed. It has become clear that CO₂-EOR will not be a pathway towards CCS.

The FUTURE Act proposes more than tripling (to \$35 per tCO₂) existing incentives for coal- and gas-fired power plants, and industrial facilities, to sell captured CO₂ for enhanced oil recovery. The Department of Energy suggests that for entities capturing CO₂, the market price of CO₂ for EOR plus the increased tax credit will be more attractive than the proposed incentive for direct storage.³ This means that, where possible, facilities capturing CO₂ would almost always prefer to use or sell it for CO₂-EOR. In other words, the tax credit will do little to address the problem it was intended to correct: reducing CO₂ emissions and limiting U.S. contributions to climate change.

Impact on Oil Production and Climate Pollution:

According to the Energy Department, the proposed changes to the 45Q tax credit would result in an additional 400,000 barrels per day of CO₂-enhanced oil produced in the U.S. in 2035, which would directly lead to as much as 50.7 million metric tons of net CO₂ emissions annually. That's equal to the annual emissions from more than 11 million cars or 12.5 coal-fired power plants.

Impact on Taxpayers:

If 45Q is expanded as proposed, just the CO2-EOR subsidy benefiting oil producers alone could cost taxpayers as much \$2.8 billion each year. That would make it the single biggest subsidy to the fossil fuel industry in the United States – and does not count taxpayer dollars spent incentivizing coal and gas power plants and industrial facilities to use CCS technology. This money could instead be spent on research, development, and deployment of renewable energy and energy efficiency technologies, and programs to help workers and communities transition to a clean energy economy.

Impacts on Local Communities and Environment:

The injection of CO2 into aging oil fields to increase production has helped extend the life of some fields by more than 25 years.⁴ Expanding the tax credit for CO2-enhanced oil recovery (EOR) is an environmental justice issue because people of color disproportionately live by oil and gas development, where pollutants released into the soil, air and water can have severe negative health impacts.⁵ 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.⁶

In addition, EOR technologies (including CO2-EOR) present real threats to drinking water, yet oversight of these practices has lagged. Both federal and state regulations, part of the Safe Drinking Water Act (SDWA) Underground Injection Control (UIC) Class II program, are decades old and fall short of providing sufficient safeguards for groundwater. State and federal regulators tasked with implementing these outdated rules lack the proper funding and staffing levels for adequate oversight, and significant data and monitoring gaps impede their ability to detect problems. And the EPA does not collect comprehensive and comparable data on EOR on a national level.

The FUTURE Act would encourage an increase in EOR activity, despite the inadequate protections of the current regulatory scheme. Subsidizing fossil fuel production that puts the health and drinking water of local communities at risk may not be the intent of the FUTURE Act, but that would be the outcome.

In terms of the costs to American taxpayers, the climate, and communities living on the fenceline of fossil fuel infrastructure – this legislation is far too expensive.

Further subsidizing the oil industry is a step in the wrong direction. We urge you to oppose the FUTURE Act and any attempts in a tax policy package to extend or expand the Section 45Q tax credit for enhanced oil recovery.

Thank you,

Alameda Interfaith Climate Action Network
Alaska Wilderness League
The Alliance for Appalachia
Amazon Watch
Bold Alliance
Catskill Mountainkeeper
Center for Biological Diversity
Chesapeake Climate Action Network
Citizens Coalition for a Safe Community
Clean Water Action
ClimateTruth.org
Earthjustice
Earthworks
Earth Day Network

Environment America
GreenLatinos
Greenpeace USA
Hip Hop Caucus
Institute for Policy Studies Climate Justice Program
Maryland Environmental Health Network
Mount Shasta Bioregional Ecology Center
Nuclear Information & Resource Service
Oil Change International
Physicians for Social Responsibility
Power Shift Network
Public Citizen
Rainforest Action Network
Save EPA
Sierra Club
UMBC Progressives
WildEarth Guardians
350.org

¹ Oil Change International, “Dirty Energy Dominance: Dependent on Denial – How the U.S. Fossil Fuel Industry Depends on Subsidies and Climate Denial,” October 2017, <http://bit.ly/DirtyEnergyDominance>

² Dooley, J., et al., “CO₂-driven Enhanced Oil Recovery as a Stepping Stone to What?” Pacific Northwest National Laboratory, prepared for the Department of Energy, 2010. http://www.pnl.gov/main/publications/external/technical_reports/PNNL-19557.pdf

³ 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

⁴ 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>

⁵ 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>

⁶ 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>