Section 48A Tax Credit for Clean Coal Facilities

In 2005, Congress established the Section 48A investment tax credit or “Credit for Investment in Clean Coal facilities” in the Energy Tax Incentives Act (ETIA). ETIA authorized a 20% investment tax credit with a total of $1.3 billion in tax credits available to support highly efficient new and existing coal-based generation technologies. Projects (other than Integrated Gasification Combined Cycle (IGCC) plants) had to meet specific efficiency improvement requirements in order to be eligible. In 2008, Congress enacted the Energy Improvement and Extension Act (EIEA) which expanded this to a 30% Investment Tax Credit and provided an additional $1.25 billion in tax credits and modified the requirements to be eligible for a project to capture and sequester 65% of the project’s CO2.

Unfortunately, the 2008 bill did not reconcile the efficiency requirements of the 2005 bill, which cannot be met with the addition of CO2 capture to either a new or existing project.

CURRENT STATUS

Section 48A provides for a total of $2.55 billion in tax credits for qualifying advanced coal projects. To date, the IRS has allocated and certified $508.5 million in credits to qualifying projects, which leaves more than $2 billion of credits available for allocation.

Earlier this session, bi-partisan bills – the Carbon Capture Modernization Act – were introduced in both the Senate (S. 407; co-sponsors: Smith, Hoeven, Cramer, Manchin, Barrasso, Tester, Graham, Daines, Capito) and the House (H.R. 1796; co-sponsors McKinley, Peterson, Stauber, Craig, Mooney, Armstrong, Gianforte, Sewell, Veasey, Cheney).

These bills provide the necessary changes to section 48A to enable CO2 capture and utilization systems (CCUS) on retrofit and non-IGCC units to be eligible for the remaining tax credits. The bills have been referred to their respective tax committees. Obtaining additional support for these bills is key for their further advancement. In June, the co-sponsors in both the Senate and the House sent letters of support to their respective tax committees’ leadership.

KEY POINTS OF INFORMATION

- In its current form, the Section 48A tax credit does not incentivize CCS on new non-IGCC plants or any existing coal plants.
• A simple change to the 48A language to waive the efficiency requirement for eligible projects would incentivize CCUS projects on new or existing coal plants, as intended by Congress.

REQUESTED ACTION

Support for S. 407 and H.R. 1796 to modify the Section 48A tax credit language to enable CO2 capture on any new and existing coal plants. It is very important that this is passed as soon as possible. Once passed, there will be multiple carbon capture projects built in the near future.