

113TH CONGRESS  
2D SESSION

# S. 2288

To amend the Internal Revenue Code of 1986 to expand existing tax credits to encourage the capture, utilization, and sequestration of carbon dioxide.

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IN THE SENATE OF THE UNITED STATES

MAY 5, 2014

Mr. ROCKEFELLER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to expand existing tax credits to encourage the capture, utilization, and sequestration of carbon dioxide.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Expanding Carbon  
5       Capture through Enhanced Oil Recovery Act of 2014”.

1 **SEC. 2. EXPANSION OF TAX CREDIT FOR CAPTURE, UTILI-**  
 2 **ZATION, AND SEQUESTRATION OF CARBON**  
 3 **DIOXIDE.**

4 (a) TECHNICAL AMENDMENT.—Section 45Q of the  
 5 Internal Revenue Code of 1986 is amended by striking the  
 6 section heading and inserting the following:

7 **“SEC. 45Q-1. STANDARD CARBON DIOXIDE SEQUESTRATION**  
 8 **CREDIT.”.**

9 (b) EXPANSION OF CARBON DIOXIDE SEQUESTRA-  
 10 TION CREDIT.—Subpart D of part IV of subchapter A of  
 11 chapter 1 of the Internal Revenue Code of 1986 is amend-  
 12 ed by inserting after section 45Q-1, as redesignated by  
 13 subsection (a), the following new section:

14 **“SEC. 45Q-2. COMPETITIVELY BID CARBON DIOXIDE SE-**  
 15 **QUESTRATION CREDIT.**

16 “(a) ALLOWANCE OF CREDIT.—

17 “(1) IN GENERAL.—For purposes of section 38,  
 18 the carbon dioxide sequestration credit determined  
 19 under this section for any taxable year is equal to  
 20 the amount determined under subsection (c)(2) that  
 21 is allocated to the qualified facility and certified for  
 22 such year for the capture, compression, and trans-  
 23 port of qualified carbon dioxide.

24 “(2) CREDIT CLAIMED BY TAXPAYER WHO CAP-  
 25 TURES, USES, AND DISPOSES OF CARBON DIOX-  
 26 IDE.—Except as provided in paragraph (3) and pur-

1 suant to such requirements as are determined appro-  
2 priate by the Secretary, the credit allowed under this  
3 section shall be attributable to the taxpayer who  
4 captured, used (or contracted for use), and disposed  
5 (or contracted for disposal) of the qualified carbon  
6 dioxide.

7 “(3) ELECTION TO ALLOW CREDIT TO BE  
8 CLAIMED BY TAXPAYER WHO USES AND DISPOSES  
9 OF CARBON DIOXIDE.—A taxpayer described in  
10 paragraph (2) may elect, pursuant to such require-  
11 ments as are determined appropriate by the Sec-  
12 retary, to permit the credits allowed under this sec-  
13 tion to be attributable to the person who used and  
14 disposed of the qualified carbon dioxide.

15 “(b) GENERAL REQUIREMENTS.—

16 “(1) IN GENERAL.—Not later than 12 months  
17 after the date of the enactment of this section and  
18 after providing opportunity for public notice and  
19 comment, the Secretary, in consultation with the  
20 Secretary of Energy, shall establish a process for an-  
21 nual competitive bidding for carbon dioxide seques-  
22 tration credits under this section that includes the  
23 following:

24 “(A) Establishment of individual project  
25 tranches for allocation of carbon dioxide seques-

1           tration credits to different forms of qualified  
2           projects.

3           “(B) Annual solicitation of bids for alloca-  
4           tion of carbon dioxide sequestration credits for  
5           qualified projects within each individual project  
6           tranche.

7           “(C) Allocation of credits, on a per project  
8           basis, for the applicable crediting period.

9           “(D) Allocation of credits in a manner that  
10          ensures a net increase in revenue for the Fed-  
11          eral Government over a reasonable period of  
12          time (as determined by the Secretary).

13          “(E) Establishment of procedures for certi-  
14          fying qualified projects that have received an al-  
15          location of carbon dioxide sequestration credits.

16          “(2) PURPOSE.—The purpose of this section  
17          is—

18               “(A) to reduce the incremental cost of car-  
19               bon dioxide capture, compression, and trans-  
20               port,

21               “(B) to accelerate the deployment and ad-  
22               vancement of technologies that capture carbon  
23               dioxide,

1           “(C) to significantly increase domestic oil  
2           production through expansion of enhanced oil  
3           recovery using anthropogenic carbon dioxide,

4           “(D) to reduce the amount of anthropo-  
5           genic carbon dioxide that is released into the  
6           atmosphere and contributing to climate change,  
7           and

8           “(E) to produce a net increase in revenues  
9           for the Federal Government over a reasonable  
10          period of time from additional tax revenue and  
11          royalties collected on oil recovered through  
12          qualified enhanced oil recovery projects.

13          “(c) ANNUAL COMPETITIVE BIDDING AND ALLOCA-  
14          TION OF CREDITS.—

15          “(1) APPLICATION PROCESS.—

16               “(A) IN GENERAL.—For purposes of the  
17               annual competitive bidding process under this  
18               section, the Secretary shall—

19                   “(i) solicit bids for allocations of car-  
20                   bon dioxide sequestration credits from ap-  
21                   plications for qualified projects within each  
22                   individual project tranche (as described in  
23                   subparagraph (C)), and

“(ii) require that an applicant submitting a bid for carbon dioxide sequestration credits for a qualified project—

“(I) be limited to bidding within a single project tranche for the project, and

“(II) include as part of their bid—

“(aa) subject to subparagraph (D), the proposed dollar amount of the carbon dioxide sequestration credit per metric ton of qualified carbon dioxide, and

“(bb) the projected metric tonnage of qualified carbon dioxide associated with the project over the crediting period (as defined in subsection (f)(4)).

“(B) APPLICATION REQUIREMENTS.—An application under subparagraph (A) shall contain such information as the Secretary may require in order to make a determination regarding an allotment of carbon dioxide sequestration credits. Any information contained in the appli-

1 cation shall be protected as provided in section  
 2 552(b)(4) of title 5, United States Code.

3 “(C) PROJECT TRANCHES.—The Secretary  
 4 shall establish 3 individual project tranches for  
 5 qualified projects in each of the following cat-  
 6 egories:

7 “(i) Electric power projects (as de-  
 8 scribed in subsection (f)(6)).

9 “(ii) First-tranche industrial projects  
 10 (as described in subsection (f)(8)).

11 “(iii) Second-tranche industrial  
 12 projects (as described in subsection  
 13 (f)(15)).

14 “(D) PER TON MINIMUM AND MAXIMUM.—  
 15 The Secretary, in consultation with the Sec-  
 16 retary of Energy, shall establish minimum and  
 17 maximum dollar amounts for the proposed dol-  
 18 lar amount of the carbon dioxide sequestration  
 19 credit per metric ton of qualified carbon dioxide  
 20 in each project tranche.

21 “(2) ALLOCATION OF CREDITS.—

22 “(A) IN GENERAL.—Following the receipt  
 23 of bids pursuant to the application process de-  
 24 scribed in paragraph (1), the Secretary, in con-  
 25 sultation with the Secretary of Energy, shall al-

1           locate carbon dioxide sequestration credits to  
2           qualified projects with each project tranche.

3           “(B) ALLOCATION TO LOWEST BIDDER.—

4           The Secretary shall allocate the carbon dioxide  
5           sequestration credits to qualified projects on the  
6           basis of the proposed dollar amount for the car-  
7           bon dioxide sequestration credit per metric ton  
8           of qualified carbon dioxide contained in the bid  
9           submitted by the applicant, with credits to be  
10          allocated in the order of the lowest submitted  
11          bid.

12          “(C) AMOUNT ALLOCATED PER QUALIFIED  
13          PROJECT.—

14                 “(i) IN GENERAL.—Subject to clause  
15                 (ii), the amount of the carbon dioxide se-  
16                 questration credit allocated to a qualified  
17                 project shall be equal to the product of—

18                         “(I) subject to paragraph (1)(D),  
19                         the proposed dollar amount of the car-  
20                         bon dioxide sequestration credit per  
21                         metric ton of qualified carbon dioxide  
22                         (as proposed pursuant to paragraph  
23                         (1)(A)(ii)(II)(aa)), and

24                         “(II) subject to clause (iii), the  
25                         projected metric tonnage of qualified



1 carbon dioxide associated with the  
 2 project over the crediting period (as  
 3 projected pursuant to paragraph  
 4 (1)(A)(ii)(II)(bb)).

5 “(ii) READJUSTMENT OF CREDIT  
 6 AMOUNT BASED ON CRUDE OIL PRICE.—  
 7 For each crediting year during the cred-  
 8 iting period, the amount of the carbon di-  
 9 oxide sequestration credit shall be equal to  
 10 the product of—

11 “(I) the amount of the credit, as  
 12 determined under clause (i) in the al-  
 13 location year, and

14 “(II) the quotient of—

15 “(aa) the annual average  
 16 West Texas Intermediate Crude  
 17 Oil price (per 42-gallon barrel)  
 18 for the year in which the bid for  
 19 carbon dioxide sequestration  
 20 credits was made, divided by

21 “(bb) the annual average  
 22 West Texas Intermediate Crude  
 23 Oil price (per 42-gallon barrel)  
 24 for the applicable crediting year.

1 “(iii) LIMITATION FOR CERTAIN  
 2 PROJECTS.—For purposes of determining  
 3 the amount of carbon dioxide sequestration  
 4 credits allocated to a industrial project de-  
 5 scribed in subsection (f)(14)(B)(ii) or an  
 6 electric power project described in sub-  
 7 section (f)(14)(B)(iii), the projected metric  
 8 tonnage of qualified carbon dioxide associ-  
 9 ated with the project over the crediting pe-  
 10 riod shall not be greater than the product  
 11 of—

12 “(I) 1,000,000 metric tons, and

13 “(II) the number of crediting  
 14 years in the crediting period.

15 “(D) MAXIMUM LEVEL OF CREDITS.—

16 “(i) IN GENERAL.—Subject to clause  
 17 (ii), the total amount of carbon dioxide se-  
 18 questration credits allocated to all qualified  
 19 projects within each project tranche shall  
 20 not exceed the maximum amount as estab-  
 21 lished for the applicable year, as follows:

22 “(I) ELECTRIC POWER  
 23 PROJECTS.—The amount of carbon  
 24 dioxide sequestration credits allotted

1 to electric power projects shall not ex-  
2 ceed—

3 “(aa) for any allocation year  
4 during the period between the  
5 first annual competitive bidding  
6 process and the third annual  
7 competitive bidding process,  
8 \$1,350,000,000,

9 “(bb) for any allocation year  
10 during the period between the  
11 fourth annual competitive bid-  
12 ding process and the seventh an-  
13 nual competitive bidding process,  
14 \$2,700,000,000,

15 “(cc) for the allocation year  
16 in which the eighth annual com-  
17 petitive bidding process occurs,  
18 \$4,050,000,000,

19 “(dd) for the allocation year  
20 in which the ninth annual com-  
21 petitive bidding process occurs,  
22 \$5,400,000,000, and

23 “(ee) for the allocation year  
24 in which the tenth annual com-  
25 petitive bidding process occurs

1 and each subsequent allocation  
2 year, \$6,750,000,000.

3 “(II) FIRST-TRANCHE INDUS-  
4 TRIAL PROJECTS.—The amount of  
5 carbon dioxide sequestration credits  
6 allotted to first-tranche industrial  
7 projects for any allocation year shall  
8 not exceed \$400,000,000.

9 “(III) SECOND-TRANCHE INDUS-  
10 TRIAL PROJECTS.—The amount of  
11 carbon dioxide sequestration credits  
12 allotted to second-tranche industrial  
13 projects shall not exceed—

14 “(aa) for any allocation year  
15 during the period between the  
16 first annual competitive bidding  
17 process and the third annual  
18 competitive bidding process,  
19 \$300,000,000, and

20 “(bb) for the allocation year  
21 in which the fourth annual com-  
22 petitive bidding process occurs  
23 and each subsequent allocation  
24 year, \$600,000,000.

1                   “(ii) ROLLOVER OF UNALLOCATED  
2 CREDIT AMOUNTS.—

3                   “(I) IN GENERAL.—For purposes  
4 of clause (i), the maximum amount of  
5 carbon dioxide sequestration credits  
6 available to be allocated to all quali-  
7 fied projects within each project  
8 tranche for any applicable allocation  
9 year shall be increased by the amount  
10 of unallocated credits within such  
11 tranche for the preceding year.

12                   “(II) UNALLOCATED CREDITS.—  
13 For purposes of this clause, the  
14 amount of unallocated credits within a  
15 project tranche for an applicable allo-  
16 cation year shall be equal to the dif-  
17 ference between—

18                   “(aa) the applicable max-  
19 imum amount of carbon dioxide  
20 sequestration credits available to  
21 be allocated to all qualified  
22 projects within the project  
23 tranche for such year, and

24                   “(bb) the total amount of  
25 carbon dioxide sequestration

1 credits allocated to all qualified  
2 projects within the project  
3 tranche for such year.

4 “(iii) TOTAL AMOUNT PROVIDED TO  
5 QUALIFIED PROJECT FOR CREDITING PE-  
6 RIOD TO BE COUNTED IN ALLOCATION  
7 YEAR.—For purposes of determining the  
8 total amount of carbon dioxide sequestra-  
9 tion credits allocated in an applicable allo-  
10 cation year under this subparagraph, the  
11 total amount allocated to a qualified  
12 project for all crediting years during the  
13 crediting period shall be treated as a single  
14 allocation for the allocation year.

15 “(d) CERTIFICATION.—

16 “(1) CERTIFICATION PROCESS.—Not later than  
17 90 days after a carbon dioxide sequestration credit  
18 has been allocated to a qualified project, the Sec-  
19 retary shall certify the amount of the credit that has  
20 been allocated and that the applicant has provided  
21 sufficient documentation and qualifying evidence to  
22 demonstrate that—

23 “(A) for a qualified project described in  
24 subsection (f)(14)(B)(i), the project will be con-  
25 structed and operated in accordance with the

1 requirements under this section during the  
2 crediting period, or

3 “(B) for a qualified project described in  
4 clause (ii) or (iii) of subsection (f)(14)(B), the  
5 project will operate in accordance with the re-  
6 quirements under this section during the cred-  
7 iting period.

8 “(2) DOCUMENTATION.—The Secretary, after  
9 providing opportunity for public notice and com-  
10 ment, shall establish specifications for documenta-  
11 tion required under paragraph (1), which shall in-  
12 clude sufficient evidence that—

13 “(A) the applicant has established a plan  
14 or entered into a binding contract for disposal  
15 of all qualified carbon dioxide,

16 “(B) for a qualified project described in  
17 subsection (f)(14)(B)(i), the applicant has es-  
18 tablished a plan for timely construction, instal-  
19 lation, and operation of carbon capture equip-  
20 ment, and

21 “(C) for a qualified project described in  
22 clause (ii) or (iii) of subsection (f)(14)(B), the  
23 project has received assistance or has been allo-  
24 cated funding pursuant to the requirements  
25 under such clauses.

1           “(3) QUALIFYING EVIDENCE.—For purposes of  
2 paragraph (1), the term ‘qualifying evidence’  
3 means—

4           “(A) the execution of a binding commit-  
5 ment (which may be subject to customary clos-  
6 ing conditions) by an appropriate entity (such  
7 as a lender or the board of directors of the enti-  
8 ty that owns the qualified project) to provide  
9 adequate financing for construction of the  
10 project and installation of the necessary carbon  
11 capture equipment,

12           “(B) the execution of a binding commit-  
13 ment by the applicant to execute a surety bond,  
14 in such amount as is determined appropriate by  
15 the Secretary, not later than 2 years after the  
16 date the Secretary certifies the qualified project  
17 under this subsection, or

18           “(C) for purposes of an electric power  
19 project, the execution of an authorization—

20           “(i) by the appropriate State agency  
21 or regulatory authority to permit recovery  
22 of the costs related to construction of the  
23 qualified project and installation of the  
24 necessary carbon capture equipment  
25 through imposition of a surcharge on the



1 retail consumers of the electric utility that  
2 owns such project, or

3 “(ii) by the State legislature to permit  
4 recovery of the costs related to construc-  
5 tion of the qualified project and installa-  
6 tion of the necessary carbon capture equip-  
7 ment through imposition of a surcharge on  
8 the retail consumers of any electric utility  
9 that is required, pursuant to State law, to  
10 purchase some or all of the net electrical  
11 output from the qualified project.

12 “(4) REVOCATION OF CERTIFICATION.—

13 “(A) MATERIALLY INACCURATE REP-  
14 RESENTATION.—The Secretary may refuse to  
15 issue a certification or may revoke a certifi-  
16 cation previously issued to a qualified project if  
17 the Secretary determines that the applicant  
18 made a materially inaccurate representation  
19 with respect to the documentation or evidence  
20 submitted by the applicant pursuant to the re-  
21 quirements under this subsection.

22 “(B) FAILURE TO BEGIN CONSTRUCTION  
23 OR PLACE EQUIPMENT IN SERVICE.—The Sec-  
24 retary shall revoke a certification previously  
25 issued to a qualified project if—

1 “(i) construction of the project has  
2 not begun within 2 years after the date of  
3 certification, or

4 “(ii) subject to subparagraph (C), the  
5 project has not placed in service the re-  
6 quired carbon capture equipment—

7 “(I) in the case of a project that  
8 proposed to retrofit or upgrade its ex-  
9 isting carbon capture equipment to in-  
10 crease carbon capture capacity, within  
11 3 years after the date of certification,  
12 or

13 “(II) in the case of a project that  
14 proposed construction of a new facil-  
15 ity, within 5 years after the date of  
16 certification.

17 “(C) EXTENSIONS.—

18 “(i) FIRST EXTENSION.—An applicant  
19 that has failed to place in service the re-  
20 quired carbon capture equipment by the  
21 applicable dates described in subparagraph  
22 (B)(ii) may receive an extension of up to  
23 180 days before revocation of certification,  
24 provided—

1                   “(I) that the applicant request an  
2                   extension not later than 90 days be-  
3                   fore the applicable date under sub-  
4                   paragraph (B)(ii), and

5                   “(II) barring construction disrup-  
6                   tions beyond the control of the appli-  
7                   cant, that the applicant maintains a  
8                   continuous program of construction  
9                   that involves continuing physical work  
10                  of a significant nature, as determined  
11                  by the Secretary.

12                  “(ii) SECOND EXTENSION.—An appli-  
13                  cant that has failed to place in service the  
14                  required carbon capture equipment before  
15                  expiration of an extension granted under  
16                  clause (i) may receive an additional exten-  
17                  sion of up to 180 days before revocation of  
18                  certification, provided—

19                         “(I) that the applicant request  
20                         the additional extension not later than  
21                         90 days before expiration of the ex-  
22                         tension granted under clause (i), and

23                         “(II) barring construction disrup-  
24                         tions beyond the control of the appli-  
25                         cant, that the applicant maintains a

1 continuous program of construction  
2 that involves continuing physical work  
3 of a significant nature, as determined  
4 by the Secretary.

5 “(D) BEGIN CONSTRUCTION.—For pur-  
6 poses of subparagraph (B)(i), construction of a  
7 qualified project begins when—

8 “(i) physical work of a significant na-  
9 ture has begun, or

10 “(ii) the applicant pays or incurs 5  
11 percent or more of the total cost of the  
12 project.

13 “(5) REALLOCATION.—

14 “(A) IN GENERAL.—Any carbon dioxide  
15 sequestration credits that have been allocated to  
16 a qualified project that does not receive certifi-  
17 cation, or has had its certification revoked, shall  
18 be rescinded, with the amount of such credits to  
19 be made available for reallocation pursuant to  
20 the process described under subsection (c) and  
21 any additional requirements as are determined  
22 appropriate by the Secretary.

23 “(B) RECAPTURE OF CREDIT.—The Sec-  
24 retary shall provide for recapturing the benefit  
25 of any credit allotted to a qualified project that

1 does not receive certification, or has had its cer-  
2 tification revoked.

3 “(6) PUBLIC DISCLOSURE AND ANNUAL RE-  
4 PORTS.—

5 “(A) DISCLOSURE OF CERTIFICATION OR  
6 REVOCATION.—Not later than 30 days after  
7 issuing a certification or revocation under this  
8 subsection, the Secretary shall publicly dis-  
9 close—

10 “(i) the amount of the credit associ-  
11 ated with the certification or revocation,  
12 and

13 “(ii) a description of the qualified pro-  
14 jected associated with such certification or  
15 revocation.

16 “(B) ANNUAL REPORT.—The Secretary  
17 shall annually publish a report regarding the  
18 carbon dioxide sequestration credits allowed  
19 under this section, including the amount of  
20 credits that—

21 “(i) have been certified under this  
22 subsection, and

23 “(ii) are available for allocation dur-  
24 ing the next annual competitive bidding  
25 process within each project tranche.

1 “(e) REVIEW AND MODIFICATION.—

2 “(1) EXTERNAL REVIEW.—The Secretary,  
3 through such methods as are determined appro-  
4 priate, shall establish an external review of the an-  
5 nual competitive bidding process by a panel of inde-  
6 pendent experts to—

7 “(A) propose recommendations to—

8 “(i) improve the annual competitive  
9 bidding process,

10 “(ii) ensure the transparency, effec-  
11 tiveness, and efficiency of such process,  
12 and

13 “(iii) ensure that the purposes de-  
14 scribed in subsection (b)(2) are being  
15 achieved through such process, and

16 “(B) for purposes of a review described in  
17 paragraph (2)(B), evaluate the impact of the  
18 annual competitive bidding process on incre-  
19 mental oil production and Federal revenues.

20 “(2) REQUIREMENTS FOR EXTERNAL RE-  
21 VIEW.—The review process described in paragraph  
22 (1) shall be completed not later than—

23 “(A) 180 days prior to the fourth annual  
24 competitive bidding process after the date of  
25 the enactment of this section, and

1                   “(B) every four years after the previous re-  
2                   view under this subsection.

3                   “(3) MODIFICATION.—Following any review  
4                   completed under this subsection, the Secretary, in  
5                   consultation with the Secretary of Energy, may mod-  
6                   ify the annual competitive bidding process to adopt  
7                   recommendations included in the review and ensure  
8                   that the purposes described in subsection (b)(2) are  
9                   being achieved through such process, including ad-  
10                  justment of the minimum and maximum dollar  
11                  amounts for the proposed dollar amount of the car-  
12                  bon dioxide sequestration credit per metric ton of  
13                  qualified carbon dioxide, as established under sub-  
14                  section (c)(1)(D).

15                  “(4) REVENUE DETERMINATIONS.—

16                  “(A) IN GENERAL.—Not later than 7 years  
17                  after the date of the enactment of this section,  
18                  and every 4 years thereafter, the Secretary, in  
19                  consultation with the Chairman of the Securi-  
20                  ties and Exchange Commission and the Sec-  
21                  retary of Energy, shall conduct a study to de-  
22                  termine—

23                         “(i) the actual and projected increase  
24                         in Federal revenues that is attributable to  
25                         increases in oil production from enhanced

1 oil recovery methods using qualified carbon  
 2 dioxide that is captured from qualified  
 3 projects, and

4 “(ii) the actual and projected decrease  
 5 in Federal revenues that is attributable to  
 6 the credits allowed under this section.

7 “(B) REPORT TO CONGRESS.—If the Sec-  
 8 retary determines that the projected decrease in  
 9 revenues described in clause (ii) of subpara-  
 10 graph (A) is greater than the projected increase  
 11 in revenues described in clause (i) of such sub-  
 12 paragraph, the Secretary shall submit to Con-  
 13 gress a report that provides a detailed analysis  
 14 of the projections and recommendations for fur-  
 15 ther legislative or administrative action.

16 “(f) DEFINITIONS.—In this section:

17 “(1) ALLOCATION YEAR.—The term ‘allocation  
 18 year’ means the year in which the Secretary allo-  
 19 cates carbon dioxide sequestration credits to quali-  
 20 fied projects.

21 “(2) ANNUAL CAPTURE CAPACITY.—The term  
 22 ‘annual capture capacity’ means the average annual  
 23 amount of qualified carbon dioxide that is projected  
 24 to be captured, compressed, and transported over  
 25 the crediting period.



1           “(3) CARBON CAPTURE EQUIPMENT.—The term  
2           ‘carbon capture equipment’ means equipment to cap-  
3           ture and pressurize qualified carbon dioxide.

4           “(4) CREDITING PERIOD.—The term ‘crediting  
5           period’ means the period, for up to 10 crediting  
6           years (as described in paragraph (5)), subsequent  
7           to—

8                   “(A) for a qualified project described in  
9                   paragraph (14)(B)(i), the date on which the  
10                  carbon capture equipment is placed into service,  
11                  or

12                   “(B) for a qualified project described in  
13                   clause (ii) or (iii) of paragraph (14)(B), the  
14                  date on which the project is certified under sub-  
15                  section (d).

16           “(5) CREDITING YEAR.—The term ‘crediting  
17           year’ means a year during the crediting period in  
18           which the taxpayer may claim the carbon dioxide se-  
19           questration credit.

20           “(6) ELECTRIC POWER PROJECT.—

21                   “(A) IN GENERAL.—The term ‘electric  
22                   power project’ means a project, including a  
23                   polygeneration project, that—

24                           “(i) subject to subparagraph (B), uses  
25                           coal or petroleum residuals as feedstock

1 and has a post-carbon capture equivalent  
2 emissions rate that is equal to or less than  
3 780 pounds per megawatt hour under nor-  
4 mal operating conditions, or

5 “(ii) subject to subparagraph (B),  
6 uses natural gas for greater than 50 per-  
7 cent of its feedstock and has a post-carbon  
8 capture equivalent emissions rate that is  
9 equal to or less than 400 pounds per  
10 megawatt hour under normal operating  
11 conditions.

12 “(B) EMISSIONS REDUCTIONS.—Beginning  
13 with the annual competitive bidding process  
14 that occurs 5 years after the initial annual com-  
15 petitive bidding process, and every 5 years  
16 thereafter, the applicable post-carbon capture  
17 equivalent emissions rate under clauses (i) and  
18 (ii) of subparagraph (A) shall be reduced by 15  
19 percent from the applicable rate for the pre-  
20 ceding 5-year period, provided that the Sec-  
21 retary has determined, in consultation with the  
22 Secretary of Energy, that such reduction is  
23 both technologically and economically feasible.

24 “(7) ENERGY OUTPUT.—The term ‘energy out-  
25 put’ means the total amount of chemical and ther-

1 mal energy generated by the conversion of a feed-  
 2 stock.

3 “(8) FIRST-TRANCHE INDUSTRIAL PROJECT.—

4 “(A) IN GENERAL.—The term ‘first-  
 5 tranche industrial project’ means an industrial  
 6 project that employs 1 or more of the following  
 7 processes:

8 “(i) Natural gas processing.

9 “(ii) Fermentation.

10 “(iii) Ammonia production.

11 “(iv) Existing gasification of—

12 “(I) coal,

13 “(II) petroleum residuals,

14 “(III) biomass, or

15 “(IV) waste streams.

16 “(B) EXISTING GASIFICATION.—For pur-  
 17 poses of this paragraph, the term ‘existing gas-  
 18 ification’ means a gasification process used by  
 19 an industrial project that has been placed in  
 20 service on or before the date on which the appli-  
 21 cant submits a bid for an allocation of carbon  
 22 dioxide sequestration credits.

23 “(9) INDUSTRIAL PROJECT.—The term ‘indus-  
 24 trial project’ means a project for which the electrical

1 power output is 50 percent or less of the total en-  
 2 ergy output of such project.

3 “(10) POLYGENERATION PROJECT.—The term  
 4 ‘polygeneration project’ means a project—

5 “(A) that produces both electricity and an-  
 6 other marketable product, such as chemicals or  
 7 alternative liquid or gaseous fuels,

8 “(B) that is able to supply not less than  
 9 150 megawatts of electricity for sale to a power  
 10 distribution system, and

11 “(C) for which greater than 50 percent of  
 12 the energy output from the gasification process  
 13 is provided to the power block.

14 “(11) POWER BLOCK.—The term ‘power block’  
 15 means a steam turbine electric generating unit or a  
 16 gas turbine combined cycle unit in an electric power  
 17 project (including a polygeneration project).

18 “(12) QUALIFIED CARBON DIOXIDE.—

19 “(A) IN GENERAL.—The term ‘qualified  
 20 carbon dioxide’ means carbon dioxide that is—

21 “(i) captured from a source described  
 22 in subparagraph (B),

23 “(ii) used, or contracted for use, by  
 24 the taxpayer as a tertiary injectant in a  
 25 qualified enhanced oil recovery project, and

1 “(iii) disposed of, or contracted for  
2 disposal, by the taxpayer in secure geologi-  
3 cal storage.

4 “(B) SOURCES OF QUALIFIED CARBON DI-  
5 OXIDE.—The sources described in this subpara-  
6 graph are as follows:

7 “(i) Electric power generation.

8 “(ii) Chemical production.

9 “(iii) Gasification of coal.

10 “(iv) Petroleum residuals.

11 “(v) Biomass and waste streams.

12 “(vi) Natural gas processing.

13 “(vii) Fermentation.

14 “(viii) Clinker production.

15 “(ix) Fluidized catalytic cracking and  
16 other refinery processes.

17 “(x) Steel and aluminum production.

18 “(xi) Mining and manufacturing.

19 “(13) QUALIFIED ENHANCED OIL RECOVERY  
20 PROJECT.—The term ‘qualified enhanced oil recov-  
21 ery project’ means any project—

22 “(A) which involves the use of qualified  
23 carbon dioxide as a tertiary injectant (in ac-  
24 cordance with sound engineering principles) and  
25 which can reasonably be expected to result in

1 more than an insignificant increase in the  
2 amount of crude oil which will ultimately be re-  
3 covered, and

4 “(B) which is located within the United  
5 States (within the meaning of section 638(1)).

6 “(14) QUALIFIED PROJECT.—

7 “(A) IN GENERAL.—The term ‘qualified  
8 project’ means a project—

9 “(i) described in subparagraph (B),  
10 and

11 “(ii) at which carbon capture equip-  
12 ment is placed in service to capture quali-  
13 fied carbon dioxide from 1 or more sources  
14 described in paragraph (12)(B) within a  
15 single project tranche.

16 “(B) CATEGORIES OF PROJECTS.—The  
17 projects described in this subparagraph are as  
18 follows:

19 “(i) A project that captures qualified  
20 carbon dioxide using carbon capture equip-  
21 ment that is placed in service after Decem-  
22 ber 31, 2014, including retrofits or up-  
23 grades of existing carbon capture equip-  
24 ment that increases carbon capture capac-  
25 ity.

1 “(ii) An electric power project that—

2 “(I) received assistance under  
3 subtitle A of title IV of the Energy  
4 Policy Act of 2005 (42 U.S.C. 15961  
5 et seq.), and

6 “(II) captures qualified carbon  
7 dioxide using carbon capture equip-  
8 ment that was placed in service before  
9 December 31, 2014.

10 “(iii) An electric power project or an  
11 industrial project that—

12 “(I) was allocated funding by the  
13 Department of Energy for large-scale  
14 carbon capture and sequestration  
15 projects from the amount appro-  
16 priated for fossil energy research and  
17 development under title IV of division  
18 A of the American Recovery and Rein-  
19 vestment Act of 2009 (Public Law  
20 111–5, 123 Stat. 139), and

21 “(II) captures qualified carbon  
22 dioxide using carbon capture equip-  
23 ment that was placed in service before  
24 December 31, 2014.

1           “(15)       SECOND-TRANCHE       INDUSTRIAL  
2       PROJECT.—

3           “(A)   IN   GENERAL.—The   term   ‘second-  
4       tranche industrial project’ means an industrial  
5       project that employs 1 or more of the following  
6       processes:

7                   “(i) New-build gasification of—

8                           “(I) coal,

9                           “(II) petroleum residuals,

10                          “(III) biomass, or

11                          “(IV) waste streams.

12                   “(ii) A refinery for production of ce-  
13       ment, steel, or iron.

14                   “(iii) Hydrogen production.

15           “(B)   NEW-BUILD   GASIFICATION.—For  
16       purposes of this paragraph, the term ‘new-build  
17       gasification’ means a gasification process used  
18       by an industrial project that is placed in service  
19       after the date on which the applicant submits  
20       a bid for an allocation of carbon dioxide seques-  
21       tration credits.

22           “(16)   SECURE   GEOLOGICAL   STORAGE.—The  
23       term ‘secure geological storage’ has the same mean-  
24       ing given to such term under section 45Q–1(d)(2).



1       “(g) DENIAL OF DOUBLE BENEFIT.—A credit shall  
 2 not be allowed under this section for any carbon dioxide  
 3 for which a credit is allowed under section 45Q–1.”.

4       (c) CONFORMING AMENDMENTS.—

5           (1) TABLE OF SECTIONS.—The table of sections  
 6 for subpart D of part IV of subchapter A of chapter  
 7 1 of such Code is amended by striking the item re-  
 8 lating to section 45Q and inserting the following new  
 9 items:

“Sec. 45Q–1. Standard carbon dioxide sequestration credit.

“Sec. 45Q–2. Competitively bid carbon dioxide sequestration credit.”.

10          (2) GENERAL BUSINESS CREDIT.—Section  
 11 38(b) of such Code is amended—

12           (A) by striking paragraph (34),

13           (B) by redesignating paragraphs (35) and  
 14 (36) as paragraphs (36) and (37), and

15           (C) by inserting after paragraph (33) the  
 16 following new paragraphs:

17           “(34) the standard carbon dioxide sequestration  
 18 credit determined under section 45Q–1(a),

19           “(35) the competitively bid carbon dioxide se-  
 20 questration credit determined under section 45Q–  
 21 2(a),”.

22          (3) DENIAL OF DOUBLE BENEFIT.—Section  
 23 45Q–1(d) of such Code is amended by adding at the  
 24 end the following new paragraph:

1           “(8) DENIAL OF DOUBLE BENEFIT.—A credit  
2       shall not be allowed under this section for any car-  
3       bon dioxide for which a credit is allowed under sec-  
4       tion 45Q-2.”.

5       (d) EFFECTIVE DATE.—The amendments made by  
6       this section shall apply to carbon dioxide captured after  
7       December 31, 2014.

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