

109TH CONGRESS
1ST SESSION

H. R. 1128

To amend the Internal Revenue Code of 1986 to allow a credit for carbon dioxide captured from anthropogenic industrial sources and used as a tertiary injectant in enhanced oil and natural gas recovery.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2005

Mr. THORNBERRY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for carbon dioxide captured from anthropogenic industrial sources and used as a tertiary injectant in enhanced oil and natural gas recovery.

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. TAX CREDIT FOR CARBON DIOXIDE CAPTURED**
4 **FROM INDUSTRIAL SOURCES AND USED IN**
5 **ENHANCED OIL AND NATURAL GAS RECOV-**
6 **ERY.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business credits) is amended by adding
2 at the end the following new section:

3 **“SEC. 45J. CREDIT FOR CARBON DIOXIDE CAPTURED FROM**
4 **INDUSTRIAL SOURCES AND USED AS A TER-**
5 **TIARY INJECTANT IN ENHANCED OIL AND**
6 **NATURAL GAS RECOVERY.**

7 “(a) GENERAL RULE.—For purposes of section 38,
8 the captured carbon dioxide tertiary injectant credit for
9 any taxable year is an amount equal to the product of—

10 “(1) the credit amount, and

11 “(2) the qualified carbon dioxide captured from
12 industrial sources and used as a tertiary injectant in
13 qualified enhanced oil and natural gas recovery
14 which is attributable to the taxpayer.

15 “(b) CREDIT AMOUNT.—For purposes of this sec-
16 tion—

17 “(1) IN GENERAL.—The credit amount is \$0.75
18 per 1,000 standard cubic feet.

19 “(2) INFLATION ADJUSTMENT.—In the case of
20 any taxable year beginning in a calendar year after
21 2004, there shall be substituted for the \$0.75
22 amount under paragraph (1) an amount equal to the
23 product of—

24 “(A) \$0.75, multiplied by

1 “(B) the inflation adjustment factor for
2 such calendar year determined under section
3 43(b)(3)(B) for such calendar year, determined
4 by substituting ‘2003’ for ‘1990’.

5 “(c) QUALIFIED CARBON DIOXIDE.—For purposes of
6 this section—

7 “(1) IN GENERAL.—The term ‘qualified carbon
8 dioxide’ means carbon dioxide captured from an an-
9 thropogenic source that—

10 “(A) would otherwise be released into the
11 atmosphere as industrial emission of green-
12 house gas,

13 “(B) is measurable at the source of cap-
14 ture,

15 “(C) is compressed, treated, and trans-
16 ported via pipeline,

17 “(D) is sold as a tertiary injectant in
18 qualified enhanced oil and natural gas recovery,
19 and

20 “(E) is permanently sequestered in geologi-
21 cal formations as a result of the enhanced oil
22 and natural gas recovery process.

23 “(2) ANTHROPOGENIC SOURCE.—An anthropo-
24 genic source of carbon dioxide is an industrial

1 source, including any of the following types of
2 plants, and facilities related to such plant—

3 “(A) a coal and natural gas fired electrical
4 generating power station,

5 “(B) a natural gas processing and treating
6 plant,

7 “(C) an ethanol plant,

8 “(D) a fertilizer plant, and

9 “(E) a chemical plant.

10 “(3) DEFINITIONS.—

11 “(A) QUALIFIED ENHANCED OIL AND NAT-
12 URAL GAS RECOVERY.—The term ‘qualified en-
13 hanced oil and natural gas recovery’ has the
14 meaning given such term by section 43(c)(2).

15 “(B) TERTIARY INJECTANT.—The term
16 ‘tertiary injectant’ has the same meaning as
17 when used within section 193(b)(1).

18 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

19 For purposes of this section—

20 “(1) ONLY CARBON DIOXIDE CAPTURED WITH-
21 IN THE UNITED STATES TAKEN INTO ACCOUNT.—

22 Sales shall be taken into account under this section
23 only with respect to qualified carbon dioxide of
24 which is within—

1 “(A) the United States (within the mean-
2 ing of section 638(1)), or

3 “(B) a possession of the United States
4 (within the meaning of section 638(2)).

5 “(2) RECYCLED CARBON DIOXIDE.—The term
6 ‘qualified carbon dioxide’ includes the initial deposit
7 of captured carbon dioxide used as a tertiary
8 injectant. Such term does not include carbon dioxide
9 that is re-captured, recycled, and re-injected as part
10 of the enhanced oil and natural gas recovery process.

11 “(3) CREDIT ATTRIBUTABLE TO TAXPAYER.—
12 Any credit under this section shall be attributable to
13 the person that captures, treats, compresses, trans-
14 ports and sells the carbon dioxide for use as a ter-
15 tiary injectant in enhanced oil and natural gas re-
16 covery, except to the extent provided in regulations
17 prescribed by the Secretary.”.

18 (b) CONFORMING AMENDMENT.—Section 38(b) of
19 the Internal Revenue Code of 1986 (relating to general
20 business credit) is amended by striking “plus” at the end
21 of paragraph (18), by striking the period at the end of
22 paragraph (19) and inserting “, plus”, and by adding at
23 the end of following new paragraph:

24 “(20) the captured carbon dioxide tertiary
25 injectant credit determined under section 45J(a).”.

1 (c) CLERICAL AMENDMENT.—The table of sections
2 for subpart B of part IV of subchapter A of chapter 1
3 of such Code (relating to other credits) is amended by add-
4 ing at the end the following new section:

“Sec. 45J. Credit for carbon dioxide captured from industrial sources and used
as a tertiary injectant in enhanced oil and natural gas recovery.”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 the date of the enactment of this Act.

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