

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.

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

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

1 “(ii) require that an applicant submit-
2 ting a bid for carbon dioxide sequestration
3 credits for a qualified project—

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

7 “(II) include as part of their
8 bid—

9 “(aa) subject to subpara-
10 graph (D), the proposed dollar
11 amount of the carbon dioxide se-
12 questration credit per metric ton
13 of qualified carbon dioxide, and

14 “(bb) the projected metric
15 tonnage of qualified carbon diox-
16 ide associated with the project
17 over the crediting period (as de-
18 fined in subsection (f)(4)).

19 “(B) APPLICATION REQUIREMENTS.—An
20 application under subparagraph (A) shall con-
21 tain such information as the Secretary may re-
22 quire in order to make a determination regard-
23 ing an allotment of carbon dioxide sequestration
24 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 ceeding 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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