The Internal Revenue Service (IRS) recently issued its final regulations governing tax credits for carbon capture and sequestration under Section 45Q. In a new analysis, AAF’s Director of Energy Policy Ewelina Czapla and Director of Fiscal Policy Gordon Gray examine the changes and their fiscal impact. These regulations provide more certainty to industry on facility eligibility, they note, potentially encouraging companies to reduce carbon emissions by implementing more carbon capture technology.

An excerpt:

Carbon capture will be critical to meeting climate change targets and preventing increases in atmospheric temperatures. Congress decided to incentivize the capture of carbon dioxide by providing credits to those taxpayers who captured, utilized, and stored carbon dioxide. Yet changes to the provision over years and a lack of guidance left industry unaware of the extent to which they can continue to take advantage of the credit and thus make investment decisions about carbon sequestration.

Read the analysis.