I^3 Industrial Innovation Initiative

a partnership between Great Plains Institute and World Resources Institute

May 10, 2021

The Honorable Joe Manchin
306 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Debbie Stabenow
731 Hart Senate Office Building
Washington, D.C. 20520

The Honorable Steve Daines
320 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Manchin, Stabenow and Daines:

On behalf of the Industrial Innovation Initiative (I^3), we write to commend you for the introduction of S. 622, the American Jobs in Energy Manufacturing Act of 2021, which would update and revise the Section 48C investment tax credits to help incentivize investment in domestic manufacturing facilities.

I^3 brings together leading industrial and power companies, environmental organizations, labor unions and state officials to advance decarbonization solutions for the most important industrial sectors. The Initiative, co-convened by the Great Plains Institute and the World Resources Institute, seeks to accelerate adoption of needed policies at the state and federal levels.

One of I^3's top priorities is the renewal and expansion of the 48C tax credit to allow for greater investment in clean energy and industrial technologies that could contribute to the decarbonization of the industrial sector. Therefore, we were particularly pleased to see inclusion of the provision allowing for retrofits of industrial facilities with equipment designed to reduce emissions through carbon capture, transport, utilization and geologic storage. This provision presents a tremendous opportunity for industrial companies to retrofit facilities in this hard to abate sector, which faces particular challenges of high capital costs, low margins and significant trade exposure to overseas competitors.

From our perspective, the retrofit provision would be greatly enhanced and complemented, if an authorization was included in the legislation to enable eligible projects to combine the revamped 48C investment tax credit with the 45Q production tax credit for the geologic storage and beneficial use of captured carbon emissions. While some industrial facilities may be able to finance carbon capture, transport, utilization and geologic storage projects based on a revised 48C investment tax credit alone, cost analyses and commercial project development experience to date suggest that broader deployment to be highly unlikely, especially among those sectors with higher costs of CO_2 capture. In particular, heavy industrial sectors such as cement, steel, refining and chemicals are highly unlikely to see retrofit of facilities for carbon capture under this expanded 48C provision, absent the opportunity to pair it with 45Q to provide the greater incentive value required to finance such retrofit projects.

Fortunately, there is explicit precedent in the U.S. tax code for combining an investment tax credit with 45Q. The Section 48A investment tax credit for coal power generation allows a company retrofitting a coal power plant with carbon capture the option of also claiming the 45Q tax credit, once that carbon capture facility is successfully placed in service.

The industrial sector is on track to become the largest source of U.S. carbon emissions within the next decade. At the same time, the manufacture of cement, steel, chemicals, fuels, and many other products from industrial processes is fundamental to modern life and prosperity, supporting high wage jobs, capital investment and tax base in communities and regions across our country. We need to take steps to make our industrial supply chain compatible with meeting midcentury climate goals, while safeguarding the vital role that industry plays in our nation's economy. Recent analyses [insert link] by the Rhodium Group of the jobs and investment benefits of policies that enable economywide deployment of carbon management technologies in key industrial sectors underscores the benefits of doing so.

Toward that end, we again ask that you authorize eligible projects to combine the 48C and 45Q tax credits in order to unlock greater investment in industrial manufacturing facilities to deploy carbon capture, transport, utilization and geologic storage.

Thank you for your leadership on renewing and retooling the 48C tax credit and your consideration of this specific request. We would be happy to present to you or your staff analysis of the deployment and emissions reduction benefits of pairing the 48C investment tax credit and 45Q production tax credit, as well as provide any other information you might require.

Sincerely,

ALTO, Ingredients Inc.

Boston Metal

Linde

Minnesota Power

BPC Action

Clean Air Task Force

Dow

International Brotherhood of Boilermakers

Lanzatech

National Wildlife Federation

Renewable Fuels Association

Solidia Technologies

Third Way

United Steelworkers