

**NOVEMBER 16, 2023**

**UT LAW CLE**

 **TEXAS Law**  
The University of Texas at Austin  
School of Law

# **16<sup>TH</sup> BIENNIAL PARKER C. FIELDER OIL, GAS, AND ENERGY TAX CONFERENCE**

Section 45Q - Credit for carbon oxide  
sequestration

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## **Speakers**

- Julie Chapel, KPMG – Moderator
- Joshua L. Belcher, Holland & Knight LLP
- Jennifer Bernardini, Treasury Department
- Jennifer Buchanan, Occidental Petroleum Corporation
- Todd Lowther, Shearman & Sterling

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## Agenda

- Introduction
- Background and what's new in the IRA
- Current commercial structures and financing considerations
- Storage considerations

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## Background

- Credit attributable to: Generally, credit claimed by owner of carbon capture equipment.
  - Must also physically or contractually ensure the capture and disposal, utilization, or use as a tertiary injectant of the qualified carbon oxide (CO)
- Taxpayer claiming 45Q credit
  - Must own one component of carbon capture equipment
  - Need not own industrial facility
- Carbon capture equipment = Components of property that are used to capture or process CO until the CO is transported for disposal, injection, or utilization.
  - Components of property related to the transport of CO for disposal, injection or utilization are not considered part of the carbon capture equipment.

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## Background (cont.)

- Owner of carbon capture equipment can transfer credit to:
  - Person that disposes of carbon oxide
  - Person that uses carbon oxide in EOR, or
  - Person that otherwise “utilizes” the carbon oxide
- Binding written contract and specific tax reporting obligations required if election to transfer is made

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## IRA Considerations

- New credit rates (per metric ton of carbon oxide)
  - Permanent Storage - base credit rate = \$17; bonus credit rate = \$85
  - EOR/Utilization - base credit rate = \$12; bonus credit rate = \$60
  - Direct Air Capture (SGS) - base credit rate = \$36; bonus credit rate = \$180
  - Direct Air Capture (EOR/Utilization) - base credit rate = \$26; bonus credit rate = \$130
  - Rates indexed for inflation after 2026
- Minimum capture thresholds decreased

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## Title search: Section 45Q Credit for Carbon Oxide Sequestration

Also available as part of the eCourse

[2023 Biennial Parker C. Fielder Oil, Gas, and Energy Tax eConference \(audio only\)](#)

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