CURC CARBON UTILIZATION RESEARCH COUNCIL

ADVANCING FOSSIL ENERGY SOLUTIONS

45Q and CCUS Improved in the One Big Beautiful Bill Act

On July 4th, President Donald Trump signed a budget reconciliation package, known as the *One Big Beautiful Bill Act* (OBBB), into law. The OBBB includes changes to prominent energy incentives, like the Section 45Q carbon oxide sequestration tax credit, to help deploy carbon capture, utilization and storage (CCUS) projects.

45Q Carbon Sequestration Tax Credit Modifications

The Section 45Q tax credit ("45Q") was one of the few tax credits preserved in the OBBB. 45Q maintains a commence construction deadline of December 31, 2032 and the ability to transfer the tax credit. The OBBB also modified 45Q by setting the credit value at $85 per metric ton of carbon dioxide (CO_2) captured from industrial or electric generating sources and $180 per metric ton of CO_2 captured through direct air capture (DAC), regardless of whether the CO_2 is secured in geologic storage, used for enhanced oil recovery (EOR) and stored, or utilized.

Source of Carbon Oxides	Carbon Dioxide Storage Method	Previous 45Q Credit Value (per metric ton)	OBB 45Q Credit Value (per metric ton)
Industrial Facility (including electric generating units)	Enhanced Oil Recovery (EOR with Geologic Storage or Utilization	$60/ton	$85/ton
Industrial Facility (including electric generating units)	Geologic Storage without EOR	$85/ton	$85/ton
Direct Air Capture Facility	Enhanced Oil Recovery (EOR with Geologic Storage or Utilization	$130/ton	$180/ton
Direct Air Capture Facility	Geologic Storage without EOR	$180/ton	$180/ton

New Foreign Entity of Concern (FEOC) Provisions for 45Q. The OBBB adds a new restriction for entities claiming 45Q. Beginning in tax year 2026, any entity classified as a Prohibited Foreign Entity is barred from claiming the 45Q credit. A Prohibited Foreign Entity is either a Specified Foreign Entity (SFE) or a Foreign-Influenced Entity (FIE). A SFE is an entity that is owned or controlled (ownership of more than 50%) by certain foreign governments or entities. A FIE is an entity that is partially owned, financed, or controlled by a Specified Foreign Entity (25–40% equity, 15% debt thresholds, or ability to appoint covered officers).

Expanded Definition of Qualifying Income of Certain Publicly Traded Partnerships

The OBBB also expanded the definition of qualifying income of certain publicly traded partnerships (PTPs) to income from carbon capture related facilities. The bill now allows PTPs to invest in an electric generating facility that includes CCUS equipment and any electric power storage located at the same facility; carbon capture equipment installed at any industrial facility; or direct air capture equipment. These investments would benefit from the lower cost of capital available to PTPs from passing the income and tax benefits through to the owners of the PTP.