

Carbon Sequestration Insight

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The Inflation Reduction Act: Landmark climate and energy security bill sets the ground for a massive increase in CCUS installations

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Key implications

The Inflation Reduction Act (IRA) is a reconciliation bill that unlocks \$370 billion in climate and energy investment in the United States, supporting a diversity of technologies and solutions. It was passed by the US Senate on 7 August 2022, passed in the House on 12 August 2022, and signed into law by President Joe Biden on 16 August 2022.

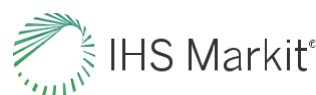
- **The IRA is a historical win for clean energy technologies with a significant improvement of economic conditions for emerging technologies like carbon capture, utilization, and storage (CCUS) and hydrogen.** Besides the expansion of 45Q, the legislation broadens the scope of existing credits to nonrenewable technologies.
- **The IRA dramatically improves CCUS project economics across various industries, reducing uncertainty around projects pre-2030.** Current credit amount could decrease the cost of CO₂ capture by more than 60% for most projects currently in the pipeline.
- **The IRA impacts the eligibility of the CCUS projects by reducing the capture capacity requirements from the hundreds to the thousand metric tons of CO₂ captured and extending the construction deadline by seven years.** The changes in facility eligibility will play a significant role for small-scale projects, likely incentivizing projects across new industries, the modular construction of smaller capture units, and more pilot projects.
- **The IRA will provide hydrogen production with CCUS projects with the option to choose between two different tax credits, giving flexibility to one of the sectors leading the CCUS pipeline of projects.**

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