

# Energy Transition

## Carbon Capture Use and Sequestration – An Expanding Market

With the current global and national focus on reducing carbon footprints and emissions, carbon capture use and sequestration (CCUS) projects have generated significant interest and optimism from both capital providers and developers.

Join Mayer Brown on April 6, 2021, for our Carbon Capture Use and Sequestration Boot Camp – from Feasibility to Execution. This comprehensive, interactive event will discuss the CCUS market, how to qualify for the Section 45Q tax credit, how to finance and structure CCUS projects, and the underlying commercial contracts that will be vital to the success of the project.

At a high level, CCUS involves capturing carbon oxides that are emitted from an industrial source or directly from the ambient air and either sequestering or using the oxides. Continued emphasis on climate change and energy transition (including the environmental, social and governance focus) is expected to benefit CCUS projects, with traditional natural resource-based companies (including upstream, midstream and services companies) being uniquely positioned to capitalize on this emerging market.

Aiding in (and driving) the current and prospective CCUS opportunities is the federal tax credit under Section 45Q of the Internal

Revenue Code (which varies on the source and use of capture carbon oxide), along with the recently released, taxpayer-friendly Section 45Q US Treasury Regulations.

The Section 45Q tax credit was originally enacted by US Congress to incentivize the capture, sequestration and other qualifying use of carbon oxide. Section 45Q provides for a tax credit for each metric ton of qualified carbon oxide that is captured using carbon capture equipment that is placed in service at a qualified facility and either (i) disposed of in secure geological storage (and not used in certain manners), (ii) used as a tertiary injectant in an enhanced oil or natural gas recovery project and then disposed of in secure geological storage, or (iii) otherwise utilized in a manner permitted by Section 45Q (including for any other purpose for which a commercial market exists, with limited exceptions).

CCUS projects can be complex, with significant capital, operational, legal and contractual risks and considerations to evaluate. However, properly structured, significant opportunities exist throughout the value chain (from industrial facility owners through natural resource and mineral interest companies).

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