

COAL TAX SUBSIDIES: **A BOON FOR KEMPER**

Frequently Asked Questions

Q: What exactly is the Kemper project?

A: Kemper is a coal facility under construction in De Kalb, Mississippi. Utility giant **Southern Company** designed the project to turn coal into a gas, burn the gas for electricity, and capture an estimated 65 percent of the associated carbon dioxide emissions through a process called **carbon capture and sequestration (CCS)**. Once captured, the emissions will be piped to nearby oil fields and pumped underground to help stimulate production as part of a process called **enhanced oil recovery (EOR)**.

The long-controversial project was originally projected to cost \$2.4 billion and to come online in 2014, but the price tag now stands at **\$6.9 billion**—and after repeated delays, the latest placed in service date has been pushed to December 31, 2016.

Q: What exactly is the CCS tax credit under section 45Q and what does it have to do with Kemper?

A: The Emergency Economic Stabilization Act of 2008—better known as the Wall Street bailout – created one of the biggest tax breaks for CCS on the books. Known as 45Q, the provision allows power plants like Kemper and other industrial emitters to claim a tax credit for every ton of CO2 they capture. The credit is worth \$20 per metric ton CO2 captured and stored underground and \$10 if the CO2 is captured and used for EOR. Congress never intended the subsidy to be permanent, and timed it to expire after 75 million credits had been claimed—a benchmark expected as soon as 2019.

However, as Kemper nears completion, lawmakers in Washington are weighing a series of proposals that would drastically increase the CCS credit for new facilities. The result could be billions in additional taxpayer subsidies for Southern Company as Kemper is finally brought online.

Q: How much does Southern Company stand to gain from Kemper if lawmakers in Washington modify the tax credit for new facilities?

A: Since February 2016, three separate proposals to modify and extend the CCS tax credit have been introduced. Depending on which version of the extension is advanced and when, the benefits for Southern Company could range from **\$695 million over the next decade to more than \$4.5 billion over the life of the plant.**

Bill	Sponsor(s)	Description	Estimated Subsidy for Kemper
H.R. 4622	Rep. Mike Conaway (R-TX)	<ul style="list-style-type: none">• Makes the tax credit permanent• Steadily increases value of credit to \$30 per ton for EOR for new facilities	\$4.5 billion throughout life of the plant
S. Amdt. 3645	Sen. Heidi Heitkamp (D-ND)	<ul style="list-style-type: none">• Steadily increases per ton credit to \$30 for EOR for new facilities• Allows new facilities to claim credit for ten years	\$695 million over ten years
S.3179	Sens. Sheldon Whitehouse (D-RI) and Heidi Heitkamp	<ul style="list-style-type: none">• Steadily increases per ton credit to \$35 for EOR for new facilities• Allows new facilities to claim credit for 12 years	\$1 billion over 12 years

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Q: What happens to Kemper if Congress doesn't extend and expand the CCS tax credit?

A: Even if Congress does nothing and the CCS tax credit is not extended or expanded, Kemper is still eligible to claim the existing credit until its expected expiration. The benefits for Southern Company under this scenario are an estimated **\$102.8 million** between 2017 and 2019.

Q: Hasn't Kemper already been heavily subsidized?

A: Absolutely. In 2004, Southern Company received a **\$270 million** grant from the Clean Coal Power Initiative, a federal cost-sharing program, for what later became the Kemper project. Last year, snuck into a year-end spending bill, Southern Company scored an additional **\$137 million** in previously unspent federal funds for Kemper.

Separately, Kemper secured two sets of investment tax credits worth **\$133 million** and **\$279 million** set aside for "clean coal" projects under the Energy Policy Act of 2005. However, these credits were conditioned on the plant beginning operations by certain dates, and had to be returned in May 2014 and April 2016 after the plant failed to finish on schedule.

Q: Don't we need CCS projects like Kemper to address the climate crisis?

A: No. The Energy Information Agency estimates that an advanced coal plant with CCS is one of the most expensive sources of electricity available. On average, a new project coming online in 2022 is expected to cost \$139.5 per megawatt hour, while new installations of onshore wind and solar are expected to cost \$66.30 and \$56.90 per megawatt hour, respectively.

Besides coal, the main special interest driving investment in facilities like Kemper is Big Oil. As natural seams of CO₂ run low, the industry is looking to anthropogenic CO₂ to supply EOR operations into the future. The problem is that the resulting increase in oil recovery can sometimes translate into even *greater* emissions than if the CO₂ were never captured.

Plans to subsidize projects like Kemper aren't solutions to the climate crisis; they are an additional giveaway to Big Oil and King Coal on top of the billions in subsidies those industries already receive each year.

About Friends of the Earth:

Friends of the Earth U.S., founded by David Brower in 1969, is the U.S. voice of the world's largest federation of grassroots environmental groups, with a presence in 74 countries. Friends of the Earth works to defend the environment and champion a more healthy and just world. Through our 45-year history, we have provided crucial leadership in campaigns resulting in landmark environmental laws, precedent-setting legal victories and groundbreaking reforms of domestic and international regulatory, corporate and financial institution policies. Our current campaigns focus on promoting clean energy and solutions to climate change, ensuring the food we eat and products we use are safe and sustainable, and protecting marine ecosystems and the people who live and work near them.

www.foe.org.

About Taxpayers for Common Sense:

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