April 24, 2017

The Hon. Bill Shuster, Chairman
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

The Hon. Peter DeFazio, Ranking Member
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

The Hon. Greg Walden, Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Hon. Frank Pallone, Jr., Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Hon. Rob Bishop, Chairman
Committee on Natural Resources
U.S. House of Representatives
Washington, DC 20515

The Hon. Raúl M. Grijalva, Ranking Member
Committee on Natural Resources
U.S. House of Representatives
Washington, DC 20515

The Hon. Kevin Brady, Chairman
Committee on Ways Means
U.S. House of Representatives
Washington, DC 20515

The Hon. Richard Neal, Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairmen and Ranking Members:

On behalf of the State CO_2-EOR Deployment Work Group, we submit for your consideration in national infrastructure legislation potential options for federal financing of CO_2 pipeline infrastructure to help achieve important national energy production, economic, job creation and environmental objectives.

Governors Matt Mead of Wyoming and Steve Bullock of Montana co-chair the Work Group, which convenes state officials from 12 oil and gas and coal-producing states, together with private sector stakeholders and experts in carbon capture and CO_2-enhanced oil recovery (EOR).[1]

In its February 2017 white paper, 21st Century Energy Infrastructure: Policy Recommendations for Development of American CO_2 Pipeline Networks, the Work Group urges Congress to incorporate development of long-distance, large-volume CO_2 pipelines as a priority component of a broader national infrastructure agenda, together with extension and reform of the Section 45Q tax credit and adoption of tax-exempt private activity bonds and other financial incentives for the capture of CO_2 from industrial facilities and power plants.

[1] The Work Group includes state officials from the following 12 states: Arkansas, Colorado, Indiana, Kentucky, Mississippi, Montana, Ohio, Oklahoma, Pennsylvania, Texas, Utah, and Wyoming. Kansas and New Mexico have participated, but these states currently do not have a representative in the Work Group.

The paper includes analysis showing that robust pipeline infrastructure on this scale could triple the existing U.S. CO_2-EOR industry, with new American oil production of approximately 375 million barrels per year and an estimated reduction of 22 percent in annual U.S. oil imports valued at $30 billion. The recommended CO_2 pipeline infrastructure has the potential to drive an estimated $75 billion of capital investment and stimulate more than $30 billion per year in economic activity.

The Work Group recommends that the federal government play a targeted role, supplementing private capital, in financing increased capacity for up to five priority trunk pipelines to transport CO_2 from industrial facilities and power plants not currently served by pipeline infrastructure to oilfields for EOR. These trunk pipelines should link key industrial, fossil power-generating, and agricultural regions of the country with the potential to supply significant CO_2 to major hubs of domestic oil and gas production.

To elaborate on this recommendation, the Work Group has developed the attached table of potential federal financing options. The table explains each option and its advantages and disadvantages (e.g., whether it requires additional legislation, is broadly applicable, is similar to existing programs, and what the implementation challenges might be). The table also includes rough estimates of the potential financial benefits to pipeline projects and the potential cost to the federal government. The financial benefits are calculated in terms of the reduction in tariffs that would be charged to CO_2 shippers who use the pipeline, based on a reasonable range of assumptions. The cost to the government is an estimated range of how the Congressional Budget Office would "score" these incentives.

The Work Group does not endorse any particular financing option at this time. Rather, Work Group participants offer this menu of options and accompanying analysis to inform your consideration of ways to foster beneficial CO_2 pipeline expansion in the broader context of federal infrastructure financing.

We would be happy to engage in discussions and collaborate with you on analyses of the eligibility of CO_2 pipelines for these and any other proposed federal financial incentives. Please feel free to contact us directly or follow up with Brad Crabtree of the Great Plains Institute (701-647-2041; bcrabtree@gpisd.net), who coordinates the Work Group on the states' behalf.

Sincerely,

Matt Fry

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Office of Governor Matt Mead
State of Wyoming

Dan Lloyd

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State of Montana