



September 26, 2024

Eliminate Costly Subsidy for Enhanced Oil Recovery

Dear Representative,

Taxpayers for Common Sense Action and Evergreen Action are writing to express our strong support for the **End Polluter Welfare for Enhanced Oil Recovery Act**. This legislation, sponsored by Representative Khanna, would amend the Internal Revenue Code to remove enhanced oil recovery (EOR) as a qualified end use under Section 45Q, the Carbon Dioxide Sequestration Credit. Eliminating these costly subsidies, which benefit the fossil fuel industry at the expense of American taxpayers, is a critical step toward safeguarding taxpayer dollars and promoting a more sustainable approach to energy production.

EOR involves injecting fluids, primarily CO<sub>2</sub>, into oil or gas reservoirs to recover hydrocarbons beyond what is possible through primary and secondary methods. EOR is heavily subsidized by the federal government, particularly through tax credits like 45Q, which incentivizes carbon capture and storage (CCS).

Most of the captured carbon in the U.S. is used for EOR, raising serious questions about the actual climate benefits of this practice given the associated greenhouse gas emissions from the resulting oil. The extraction and burning of oil produced through EOR releases significant amounts of CO<sub>2</sub>, potentially offsetting any benefits from carbon capture. Though promoted as a clean energy solution, CCS, particularly when used for EOR, extends the lifecycle of the oil and gas industry and its infrastructure, rather than contributing to a meaningful reduction in greenhouse gas emissions. Policymakers must pursue alternative climate solutions that do not reinforce our dependence on fossil fuels.

The current regulatory framework for 45Q lacks robust oversight. It does not require on-site verification of carbon sequestration, leaving the public no way to verify the amount of carbon stored, aside from what claimants self-certified. Furthermore, operators injecting carbon are not required to use specific technologies or timelines to monitor and report leaks. This means stakeholders cannot reliably verify how much carbon is stored or whether it remains sequestered. This lack of stringent oversight poses financial and environmental risks, particularly given that the 45Q tax credit could cost taxpayers over \$36.2 billion in the next decade.

The case against EOR subsidies is clear. Industry has relied on EOR for decades, and new and increased subsidies for the technology as we strive for a cleaner energy future are counterproductive and undermine broader policy goals. These costly subsidies disproportionately benefit the already highly profitable fossil fuel industry, which has enjoyed a century of lucrative subsidies. EOR, despite being marketed as a clean energy solution, perpetuates our dependence on fossil fuels, with its greenhouse gas emissions undermining any potential climate benefits from carbon capture.

The 45Q tax credit, intended to incentivize carbon capture and storage, is the largest EOR subsidy, casting significant doubts on its climate efficacy. The current regulatory framework, which lacks the necessary oversight and verification needed to ensure accurate reporting and the secure storage of sequestered CO<sub>2</sub>, compounds these concerns. This system of subsidies and minimal accountability creates environmental and financial risks for taxpayers and communities alike.

Eliminating subsidies for enhanced oil recovery is not just fiscally responsible—it is essential for moving toward a cleaner energy future. We urge you to protect taxpayers by supporting this legislation.

Sincerely,

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Vice President

Taxpayers for Common Sense Action

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