

September 11, 2008

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Senate Dirksen

The Honorable Charles E. Grassley
Ranking Member
Senate Finance Committee
219 Senate Dirksen

Dear Chairman Baucus and Senator Grassley:

We write to support tax credits for anthropogenic carbon dioxide captured and stored in enhanced oil recovery (EOR) or enhanced coalbed methane (ECBM) projects. Unfortunately, we know that this incentive was rejected along with the rest of the energy tax package last fall. We urge you and your colleagues on the Committee to pass this type of tax credit in future legislation. We are committed to working with you to promote carbon capture and storage tax credits in a variety of forms, but we believe this credit to be particularly beneficial.

As you know, coal provides 50 percent of the electricity generated in the United States and will continue to provide a significant portion of the generation portfolio for many years to come. The continuing climate change debate highlights the immediate need to demonstrate carbon capture from coal-based power plants if coal is to remain a viable and secure source of energy for our country. Using carbon dioxide in EOR will also provide the necessary bridge to understanding sequestration in other geological formations.

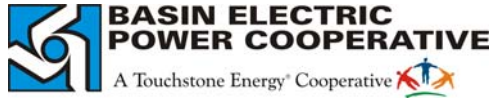
Oil and gas companies have been using carbon dioxide to improve production at aging oil fields for years. Today much of this carbon dioxide comes from natural sources. Using carbon dioxide captured from power plants for EOR will allow large demonstration of carbon capture technology that will lead to its commercialization. However, the added costs and risks of carbon capture technology coupled with infrastructure cost to transport carbon dioxide to oil fields make scalable demonstrations difficult.

A targeted tax credit for the capture and storage of carbon dioxide will help overcome and help defray some of the high cost associated with demonstrating and commercializing carbon capture technology. Further, this tax credit will assure the creation of a public-private partnership that is necessary to help mitigate the risk associated with advancing new carbon capture technologies.

We thank you for your leadership on this issue.

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