The *Inflation Reduction Act* Will Strengthen American Oil & Gas Production and Support Decarbonization in the Oil & Gas Industry

- **Provides Tax Incentives to Use Oil & Gas in the Cleanest Ways Possible:**
  - o Carbon Capture Credit: Increases value of the 45Q credit to $60 per ton for carbon captured and used (up from $35), $85 per ton for carbon captured and stored (up from $50), with bonuses for direct air capture ($130/$180 per ton).
    - Provides direct pay for the first 5 years of production.
    - Modified language to ensure it works for coal and natural gas power plants.
  - o Hydrogen Credit: Includes the first-ever hydrogen production tax credit of up to $3 per kilogram.
    - "Blue" hydrogen production from natural gas with carbon capture is eligible.
    - Provides direct pay for the first 5 years of production.
  - o Tech-Neutral Electricity Credit: Ensures zero-emission power plants that use hydrogen or fossil fuel with carbon capture are eligible for same clean electricity credits as renewables: PTC of $25 per megawatt-hour or 30% ITC.

- **Boosts Production on Federal Lands and Waters:**
  - o Immediately increased oil and gas leasing by requiring the administration to issue all 308 leases from November 2021's offshore Lease Sale 257. Leases were issued in September 2022, with nearly $192 million in high bids.
  - o Requires the administration to hold the three offshore lease sales that were cancelled in early 2021. One mandated sale in Alaska was held in December 2022, with two more sales in the Gulf scheduled for 2023.
  - o Ensures oil and gas leasing continues for the long-term by prohibiting renewable leasing if meaningful oil and gas sales haven't also occurred. The administration has announced its first voluntary onshore lease sales in 2023.

- **Loan Guarantees for Fossil Decarbonization:** Makes almost $300 billion in loan guarantees available to help new and existing fossil energy facilities perform upgrades to improve efficiency, adopt environmental controls, or install carbon capture.

- **Funds Practical Methane Emissions Reduction Program:**
  - o Financial support for producers' methane programs: Provides $1.5 billion to help companies implement methane mitigation before a fee on excess emissions phases-in in 2025, with $700 million reserved for marginal conventional wells. This approach helps reduce emissions without raising energy costs for families and businesses.
  - o Credit for emissions already reduced: Recognizes companies for methane emissions reductions already achieved by giving them a credit against the total methane fee for facilities that over-perform the new emissions thresholds.
  - o Appropriate exemptions: Includes exemptions from the methane fee for small producers and if pipeline permitting delay prevents methane emission reductions.
  - o Avoids duplicating or conflicting with EPA regulations: Provides an off-ramp to avoid the methane fee if a facility complies with new regulations, when final.

- **Permitting Reform:** The *Inflation Reduction Act* sets the stage for energy permitting reform by providing over $1 billion to improve and accelerate agency environmental reviews (including for FERC, Interior, and EPA).

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