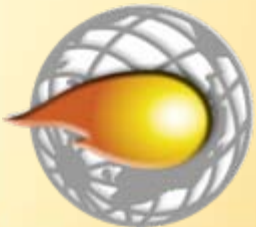


# Federal Incentives – Where are they now?

Gasification Technology Council  
March 14, 2007

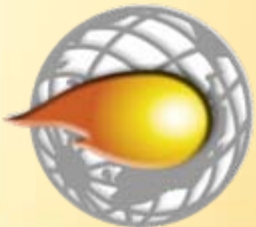
Presentation by Sherry Tucker

- Why Are Federal Incentives Needed?
- EPA 2005 incentives and status
- Obama/Bunning –  
Rahall/Davis Bills
- Conclusion



## ■ Incentives – why are they needed?

1. Gasification is new industry - barriers to development – securing financing for multi-billion dollar projects
2. Example: 30,000 BPD plant to co-produce transportation fuels, naphtha and electricity --- \$3.39B (Source: Scully Capital AF Ppt)
3. First Mover Disadvantage – First Movers need incentives to jump-start industry



# EPACT 2005

## ► Investment Tax Credit

- **Sec. 48A - \$1.4 B for IGCC**
- **Sec. 48B - \$350M for industrial gasification**
- **Caps required competitive applications to DOE/IRS for award of ITC**
- **Significantly oversubscribed – Ex: \$2.7B for Sec. 48B credits**
- **Results: Many worthy, compelling projects with no federal investment tax credit award**

# EPACT 2005

## Loan Guarantees for Innovative Technologies (Title 17)

- **IGCC, industrial gasification, transportation fuels, renewables, nuclear, etc.**
- **Congress authorized loans guarantees but did not appropriate funds**
- **Self-pay loan guarantee program (self-insurance paid by applicant to US Treasury) – the only LG option.**

# EPACT 2005

## Status of DOE Self-Pay LG program:

- **Aug. 2006 DOE issued Guidance and Solicited pre-applications**
- **Oct. 2006 DOE ceased administrative implementation citing GAO investigation. Extended deadline to Dec. 2006.**
- **Dec. 2006 – over 144 pre-apps filed worth \$51 Billion in total loans**
- **Feb. 2007 – Continuing Resolution authorizing \$7M to implement the DOE self-pay LG program**
- **Mar. 2007 – DOE working on regulations to implement program but no administrative staff**

# 2005 Highway Bill

## ► SAFETEA -LU (VEETC)

- Enacted 50 cent per gallon fuel excise tax credit for alternative fuels from gasified coal
- Self-implementing
- Expires Sept. 2009

# Obama/Bunning Rahall/Davis Bills

- ▶ **“Coal to Liquid Fuel Energy Act of 2007” – allows biomass and petroleum coke if majority coal feedstock**
- ▶ **Extends the 50 cent per gallon fuel excise tax credit to 2020.**
- ▶ **Loan guarantees – 10,000 BPD plant minimum – 20,000 BPD maximum with 100,000 BPD cap.**
- ▶ **48C investment tax credit (20%) capped at \$200M per plant with 10 plant limit**
- ▶ **25-year procurement authority for DoD**
- ▶ **EOR, CCS – increases tax credit to 50% from 15% for equipment for separation, delivery and separation of CO<sub>2</sub>; expires 2020**

# Conclusion

- ▶ **Loan Guarantees: Need a viable federal program with expeditious federal implementation.**
- ▶ **Self-implementing provisions are best opportunity to jump-start**
  - 1. Extend fuel excise tax credit to 2020**
  - 2. Authorize and fund military purchases**
  - 3. Expand Strategic Petroleum Reserve Program**
  - 4. R&D for carbon capture application and storage**
  - 5. Self-implementing incentives for CCS**

# MISSISSIPPI RIVER



## First US Commercial Plant **Rentech Energy Midwest** *East Dubuque, Illinois*

### ► “Coal to Corn”

- 2600 TPD Illinois Coal
- ConocoPhillips gasifier
- 1000 TPD fertilizer
- 1800 BPD fuel
- 80 MW Electricity
- \$810M Cost

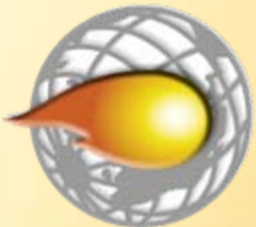
### ► Support from Illinois Office of Coal Development

### ► Zoning app’d Mar. 13

Rentech Energy Midwest



Gulf of Mexico



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