June XX, 2025

The Honorable Bill Cassidy
U.S. Senate
455 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Kennedy
U.S. Senate
437 Russell Senate Building
Washington, D.C. 20510

RE: Budget Reconciliation – Preservation of 45V credits, 45Q credits, and Transferability to Enable American Energy Dominance

Dear Senator Cassidy and Senator Kennedy,

On behalf of the signed businesses and organizations – representing the breadth and leadership of Louisiana's energy sector – we deliver this letter to work with you to advance our state's all-of-the-above energy strategy, an essential component of President Trump's energy dominance agenda.

As the Senate begins to debate H.R.1, the "One Big Beautiful Bill Act," we seek to work with you to underscore the importance of energy industry growth and innovation to correct America's trade imbalance, increase revenues, and secure robust gross domestic product.

We respectfully urge you to support three recommendations to enforce Louisiana's energy sector:

Recommendation 1: Preserve clean hydrogen production credits (45V) to be available for facilities that commence construction a date not earlier than December 31, 2029

Recommendation 2: Provide parity in the 45Q credit value for enhanced oil recovery and utilization, and increase the credit value to account for its current lack of inflation indexation

Recommendation 3: Preserve transferability along consistent timelines for all federal energy tax credits

Louisiana's Energy Leadership

Energy and process industries in Louisiana are asset sectors, or sectors where the state has a high concentration of activity and growth relative to U.S. averages. Embracing an all-of-the-above energy sector, according to Louisiana Economic Development's (LED) comprehensive strategic plan – *Positioning Louisiana to Win 2025* –provides the greatest opportunity for continued growth.

According to LED, the opportunity to embrace an all-of-the-above strategy for growth is clearly demonstrated by project announcements, and reenforced by economic development impact:

- **45 energy and emissions reduction projects** have been announced since 2018
- **Over 34,000 new jobs** will be created across Louisiana
- **$127.5 Billion in capital expenditure** invested in the state

Implementing policies that renege on the important accounting instruments that incentivize investments in Louisiana would be gravely detrimental to the state's economic future. LED's active business development project pipeline, as of June 6, 2025:

- **201 active projects** in business development pipeline
- **56,080 potential new jobs** created
- Over **20,825 jobs retained**
- **$227.2 Billion in potential capital expenditure** (capex)

The repeal or sunset of tax credits designed to enable innovation and technology adoption in the energy sector risks threatening many of the 201 projects in Louisiana's business development pipeline.

Business development pipeline activity has increased more than 500% in the past eighteen months, with many prospective projects utilizing carbon management technology. For example, Louisiana since 2021 announced 20 projects – accounting for more than $75 Billion in capital investment and 16,000 jobs – that have a critical carbon capture, utilization, and storage component. From data and technology such as the Meta project in Richland Parish, to steel and process industries such as Hyundai and CF Industries, **carbon management and the growth of lower-emission power sources drive Louisiana to be an economic leader**.

Importance of Federal Tax Credits

Dependable federal tax credits are essential to maintain reliable investment conditions for projects announcements that will expand Louisiana's energy and manufacturing sectors, the foundation of America's energy dominance. Unleashing Louisiana's natural assets and scaling energy technologies depend on competitive tax credits that, in the short-term, enable transformational investments and first-mover innovators to develop, test, and scale global products like hydrogen production components or carbon management facilities.

45V – Clean Hydrogen Production Tax Credit

Louisiana dominates domestic hydrogen markets. Given the abundance of refining capacity, ammonia and fertilizer production, and other hydrogen-intensive industries like steel, Louisiana is home to over 60% of U.S. hydrogen production capacity. This activity primes our state to secure leadership in burgeoning hydrogen markets across the world.

- $500 billion total global investment in hydrogen projects is estimated through 2030 (McKinsey)
- Over 200 million metric tons/year projected global clean hydrogen demand by 2030 (IEA)
- Competitor nations sit on the precipice of dominance for hydrogen component manufacturing
- In 2020, China accounted for less than 10% of global manufacturing capacity for hydrogen production technology - China today has grown to over 60% of global capacity (IEA)

A coalition of 24 South Louisiana businesses and organizations in 2024 submitted written and public comment for recommendations to further improve the 45V credit. We share belief that credit usage should be tied directly to regions with the highest end-use demand for hydrogen. To that end, we are providing the recommendations with the hope of future consideration and collaboration:

1. Redefine the regions referenced for the deliverability requirement to align clean hydrogen production viability with energy market transactions, encouraging interregional delivery
2. Establish a phased-in adoption of hourly temporal matching and project-specific extension policy for hourly temporal matching
3. Establish a midterm review procedure for the U.S. Treasury Department to assess the readiness of each region before hourly temporal matching requirement. Determine a set of qualifications for a project-specific extension request process

Louisiana companies with the 45V credit can catalyze existing hydrogen production assets to capitalize on a global market product and bolster U.S. energy and manufacturing dominance. Preservation of 45V will accomplish the following:

- Enable the state to build on existing infrastructure and workforce proficiency
- Innovate across new hydrogen production and transportation technologies
- Restore a trade imbalance and win on markets globally

45Q – Credit for Carbon Oxide Sequestration

The 45Q tax credit is a vital tool for advancing Louisiana's all-of-the-above energy strategy. This long-standing credit has catalyzed investments in industries central to Louisiana's energy leadership and economy – including, but not limited to, petrochemicals, LNG export facilities, refining, and power generation. The tax credit's evolution has only garnered more bipartisan support over the years, marshalling billions in CCS and DAC funding in the United States. The credit is not indexed for inflation, meaning it has lost real value in recent years–a **value increase will ensure future usage and project delivery**.

With the recommendations adopted, the 45Q credit will further CCS development in the state, building on the following assets and opportunities:

- Over **$20B in private investment** has been announced for CCS
- Louisiana has an existing network of nearly **50,000 miles of pipeline**
- **Clean hydrogen production**, a pivotal market opportunity for Louisiana's industrial sector, can leverage 45Q and CCS technologies for competitively cost hydrogen production

<u>Transferability of all tax credits</u>

The benefits of transferability for tax credits span beyond a financing tool for project development. As proposed, the transferability of each credit will sunset at different time, harmfully impacting consistent conditions for project developers and tax equity markets. The benefits of preserving transferability include the following:

- **Ensuring affordable electricity and projects remain on track** – Transferability provides certainty for developers, enabling projects in nuclear, manufacturing, biofuels, and critical minerals to move forward. Repealing it would undermine existing investments and stall momentum across the energy and manufacturing sectors.
- **Preserving a national security asset in the race against China** – Transferability is vital to supporting the America First agenda, building a domestic supply chain, and ensuring we stay competitive with China, and supporting. It also underpins the affordable electricity and critical mineral production needed to win the AI arms race.
- **Empowering small businesses and broaden market access** – By enabling simple, peer-to-peer tax credit transactions, transferability allows small and mid-sized companies – traditionally excluded from complex tax equity markets – to compete, innovate, and grow alongside large incumbents. Transferability helps to de-risk projects, unlocking additional capital for smaller scale industries (e.g. manufacturers and R&D business), which is critical for earlier stage project economics.
- **Driving job growth and manufacturing resurgence** – Transferability has helped trigger a 3x increase in U.S. manufacturing and mineral project development over the past year. Eliminating it could put an estimated 250,000 American manufacturing jobs at risk and derail onshoring momentum.
- **Maintaining resilience in uncertain markets** – A bipartisan innovation, transferability helps insulate energy financing from economic downturns – unlike the fragile tax equity markets exposed during the 2008–2009 crisis. Transferability enables stable, private-sector investment during volatility, supporting long-term industrial strength.

<u>Conclusion</u>

We urge you to prioritize and preserve these federal policy vehicles to unlock economic development opportunity across Louisiana and posture the state to enable U.S. energy dominance. With your help, we can ensure that our state continues to lead our country in securing energy abundance.

The State of Louisiana is positioned to win in every component of the all-of-the-above energy strategy. Will you help promote pro-energy policies to enable Louisiana's leadership and American energy dominance?

Sincerely,