

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

**CARBON OXIDE SEQUESTRATION SUBSIDY**

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**TOPLINE:** The One Big Beautiful Bill (OB BB) expanded subsidies for carbon oxide sequestration.

**BACKGROUND:** The Carbon Oxide Sequestration Credit subsidizes carbon oxide (including carbon dioxide) captured from direct air capture facilities, power plants, and other industrial sources and then geologically stored or put to commercial use. The subsidy value varies based on the method of capture and how the carbon oxide is ultimately used. Construction of the carbon capture equipment must start before January 1, 2033 to qualify, and the subsidy can be claimed for a 12-year period after the technology is placed in service.

**What OB BB Did:**

- [Made](#) the \$85-per-ton subsidy amount (\$180-per-ton for direct air capture), which was previously available for carbon oxide geologically stored and not used, also apply to carbon oxide that is either used and stored or used in other qualifying ways.

**Why It Matters?**

- Carbon capture requires government support to remain viable. The Energy Information Administration [projected](#) carbon capture would expand in the 2030s because of the subsidy before cratering in the 2040s and 2050s, assuming the subsidy is allowed to expire.
- This subsidy was created in 2008 and has been [extended](#) multiple times. If Congress does not repeal it soon, subsidy-driven investment and job growth in the carbon capture industry will intensify political pressure for further extensions, making eventual repeal more disruptive and less likely.
- The carbon sequestration subsidy has minimal impact on U.S. carbon emissions (a fraction of a percentage), let alone global temperatures.
- OB BB's modifications increase the federal deficit by [\\$14 billion](#) over a ten-year period (2025-2034).

**Where Can I Find the Changes?** OB BB Section [70522](#); [26 U.S.C. § 45Q](#).

**BOTTOMLINE:** Subsidies to capture carbon dioxide have a negligible effect on emissions, making them ineffective at improving the environment, while they are also costly to American taxpayers. Congress should terminate this subsidy before it creates an entire industry that cannot survive without permanent government support.

