



Gasification Technologies Council

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The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, DC 20510

Dear Senator Reid:

The Gasification Technologies Council (GTC) represents more than seventy-five companies that provide technologies, equipment or services, or own and operate plants, that account for more than 95% of gasification capacity around the world. They are also involved in a number of new U.S. projects being planned, designed, or under construction.

The GTC encourages you to support Economic Stimulus and Energy Policy provisions to assure completion of Integrated Gasification Combined Cycle (IGCC) power generation and Industrial Gasification (IG) projects that qualify for tax credits and Federal Loan Guarantees (FLG's).

Specifically, we endorse:

- a doubling of the Section 48A and 48B investment tax credit (ITC) maximum project caps for all IGCC power generation and industrial gasification projects, and a commitment to a program to commercialize gasification-carbon capture and sequestration (CCS) technologies with ten or twelve commercial scale projects;
- extensions of “in service” deadlines to accommodate projects that have been delayed by economic and policy driven factors beyond their control;
- an increase in the value of Section 45Q CCS production tax credit (PTC) by at least two fold and extension of the PTC availability to all eligible entities through 2019 in order to ensure that new generation and industrial projects can proceed with certainty concerning carbon sequestration; and
- for all projects under development through the FLG process:
 - an increase in FLG loan volume;
 - coverage of credit subsidy costs;
 - timely regulatory review and process implementation;
 - extension of credit at reasonable rates to critical independent, but integral, project components (e.g., CCS and air separation).

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Gasification provides the lowest cost solution to produce power, chemicals and fuels from coal, petroleum residues, biomass and wastes while capturing carbon dioxide for sequestration. This provides the path forward for these crucial sectors of the economy to reduce demand pressures on petroleum and natural gas by using lower cost domestic energy resources

Several economic and Federal policy factors have effectively stalled the timely commercial deployment of a number of gasification projects.

First, engineering, procurement and construction (EPC) costs have doubled since the credits became available, while dollar limits on eligible investment have remained fixed. This has severely diminished the value of the 20% 48A and 48B ITC's to half their original value. Additionally, the cost escalation has rendered authorized FLG volumes far too low.

Second, new policy requires future ITC-supported projects to achieve high rates of carbon capture and sequestration (CCS) under 48A and 48B. The section 45Q CCS PTC was meant to cover CCS costs for required high rates of CCS under 48A and 48B and other projects. However, the PTC is not adequate or aligned with sufficient certainty to support 48A, 48B, and other gasification projects.

Finally, the economic recession and credit crisis have stopped, or severely slowed, project development for those facilities that were relying on access to credit at reasonable rates, e.g., project CO₂ off-takers. The credit crisis has also driven subsidy costs for FLGs to unreasonably high levels.

We commend these basic elements for consideration in tax and appropriations legislation as it moves forward and stand willing to discuss these matters in detail.

Sincerely,



James M. Childress
Executive Director
Gasification Technologies Council



Cal Dooley
President & Chief Executive Officer
American Chemistry Council



Ford B. West
President
The Fertilizer Institute



Paul N. Cicio
Executive Director
Industrial Energy Consumers of America

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Thomas J. Gibson
President & Chief Executive Officer
Iron & Steel Institute



Michael Greenman
Executive Director



Copies of Letter sent to:

Senate Leadership
Senate Appropriations Committee
Senate Commerce, Science and
Transportation Committee
Senate Energy and Natural
Resources Committee
Senate Finance Committee