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Carbon Capture Utilization & Sequestration (CCUS)

Dawn Lima – Associate VP, Renewable Energy & Sustainable Technologies

June 2023

FOSS & COMPANY OVERVIEW

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TAX CREDIT SPECIALISTS

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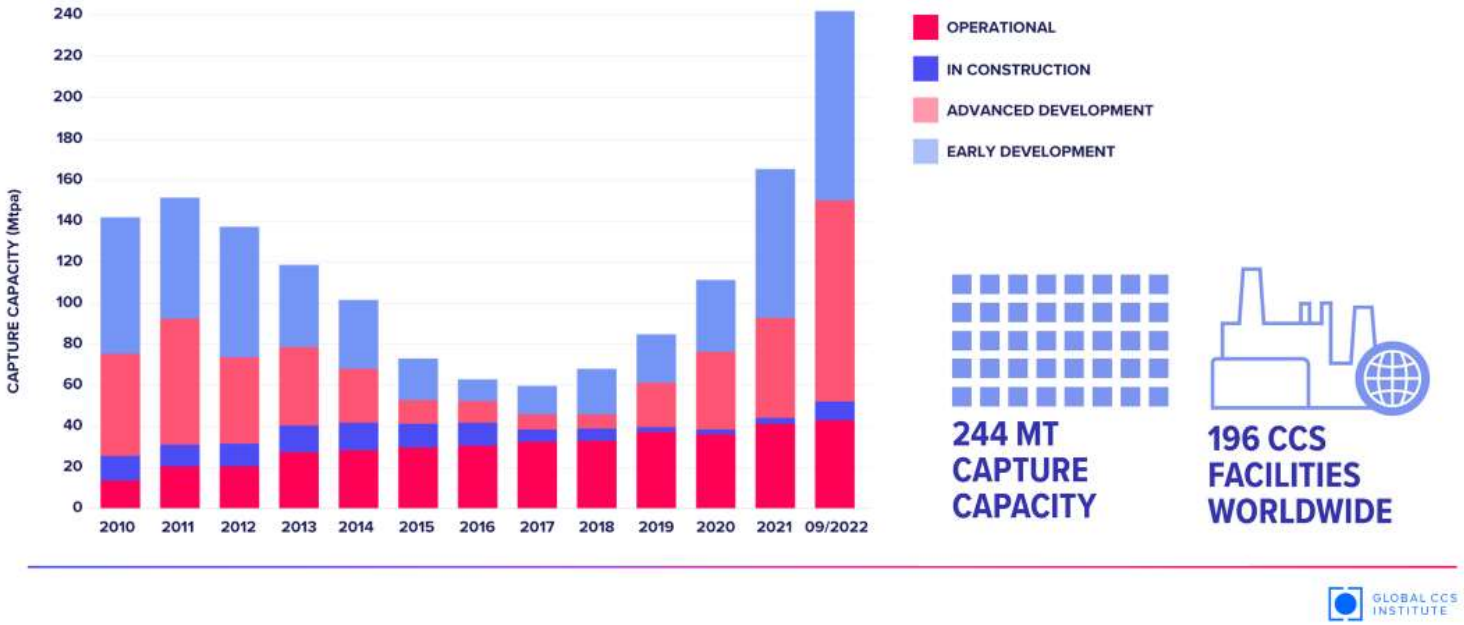
Foss & Company ("Foss") is a national institutional investment management firm founded in 1983. Since inception, Foss has specialized in the financing of projects which generate tax credits, such as the 45Q carbon sequestration tax credit. Foss has deployed over $8 billion in cash equity from national insurance companies and corporations through investments in tax credit products.

Foss is committed to, through its Renewable Energy and Sustainable Technologies group, preserving and improving our environment. Over the past several years we have been expanding our role as a financing resource for renewable energy projects to include partnering with well-established developers of carbon capture facilities in order to reduce the amount of CO_2 emitted into the atmosphere from anthropogenic sources.

Foss possesses a full spectrum of capabilities including project development, assisting developers with tax equity syndication, financial modeling, ongoing accounting and investor reporting and more. Foss continues to aggressively pursue carbon capture and sequestration opportunities throughout the United States.

GLOBAL STATUS CCUS 2022

GROWTH IN 2022



CCUS – THE TIME IS NOW

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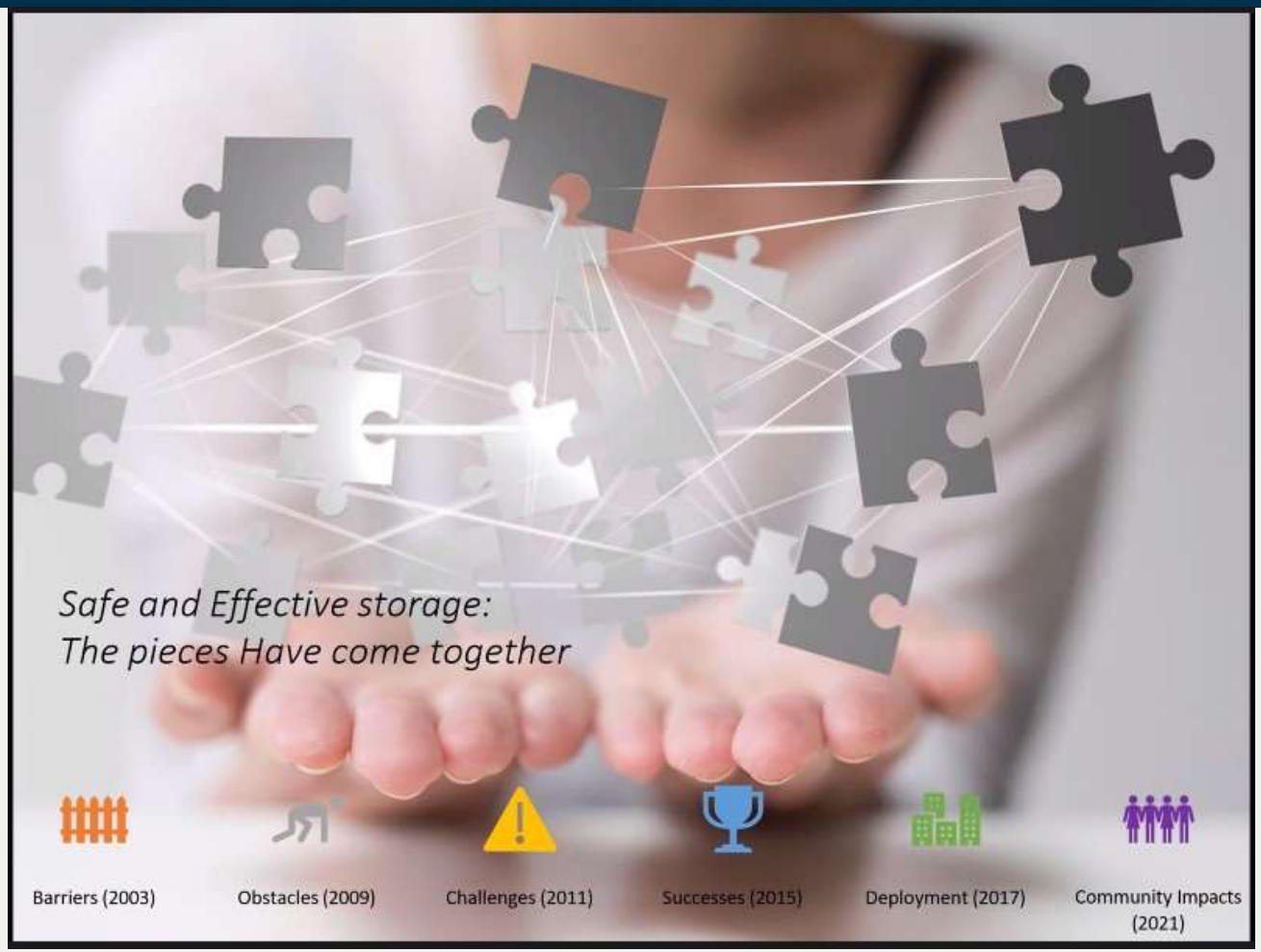
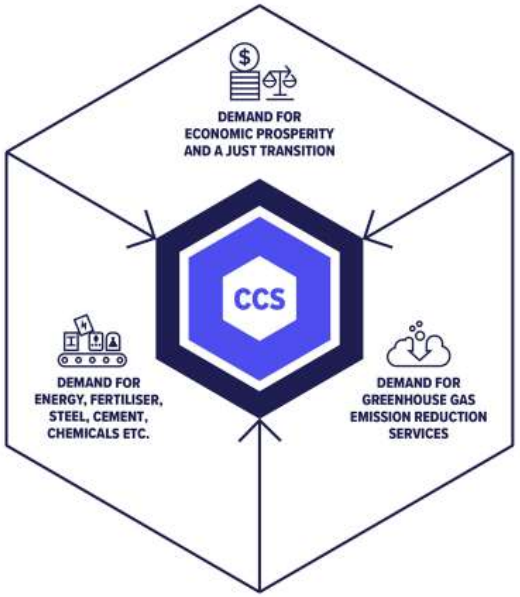


THE DEMAND DRIVERS FOR CCS



Demand for CCS is being driven by:

- Net-zero commitments from governments and businesses driving emission reductions and removals.
- Need for low-carbon footprint commodities and energy.
- Economic drivers including growth, prosperity and a just transition.

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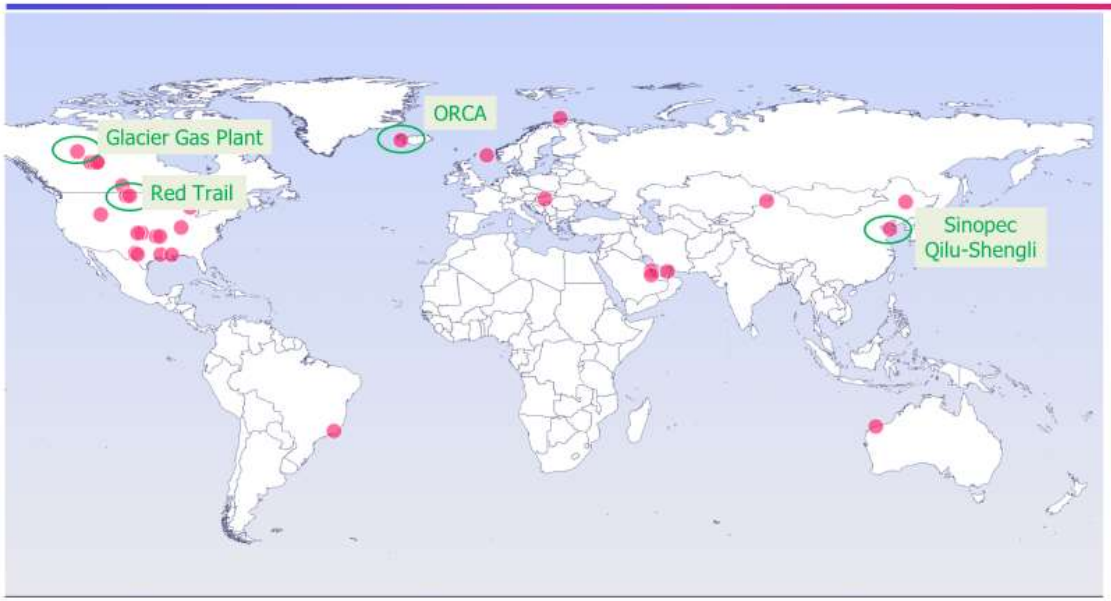
CCS FACILITIES – OPERATING



30 CCS FACILITIES OPERATIONAL

20+ COUNTRIES WITH COMMERCIAL CCS & DACCS FACILITIES
IN OPERATION OR UNDER DEVELOPMENT

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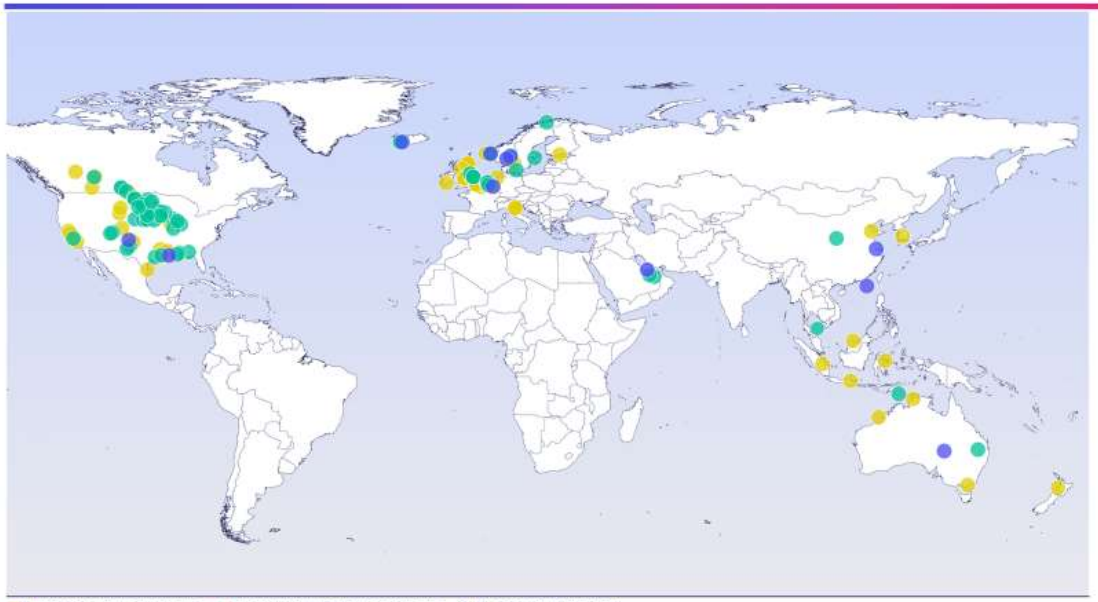
CCS FACILITIES – IN DEVELOPMENT



Key Figures for 2022

- **4** new operational
- **11** in Construction
- **26** countries
- **30** total operational
- **61** new facilities added
- **75** mtpa new capacity
- **244** mtpa total capacity
- **110x** increase required

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CCUS PROJECTS IN DEVELOPMENT – MAY 2023

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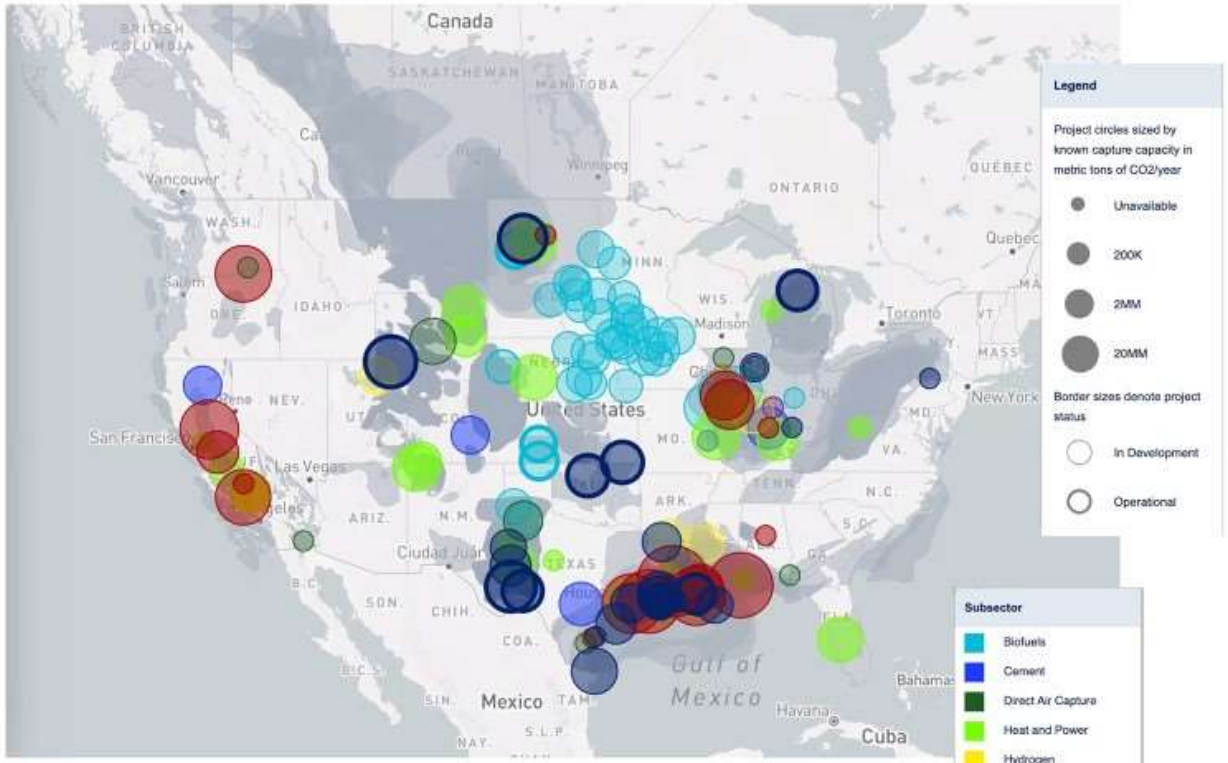
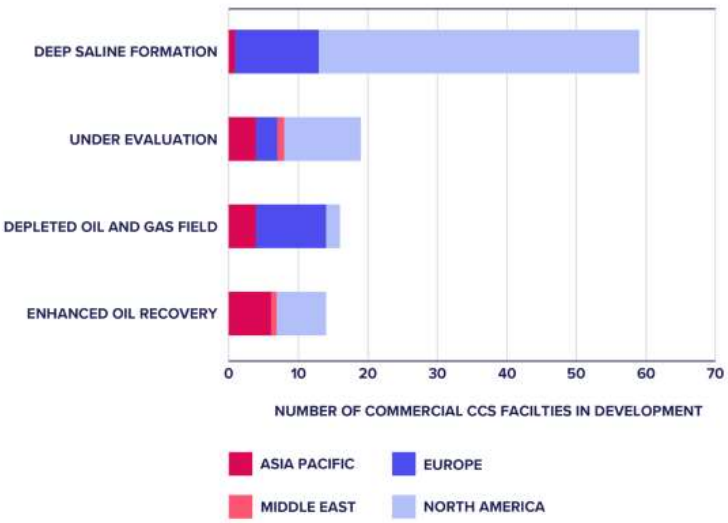


Clean Air Task Force Project Tracking
(downloaded: 14 May 2023)

Timelapse view

EVOLUTION OF STORAGE

- From EOR to Designated Geological Storage (DGS)
  - Operating facilities: 70% (9 of 30) use EOR
  - In Development: 70% to use dedicated geological storage (deep saline formations, depleted oil and gas fields)
- Storage Hubs:
  - From singular to shared
  - Per site injection volumes increasing – from 1 mtpa to 5 mtpa ++



* Analysis of 108 facilities in development with dedicated storage sites

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INJECTION WELLS – CLASS I – CLASS VI

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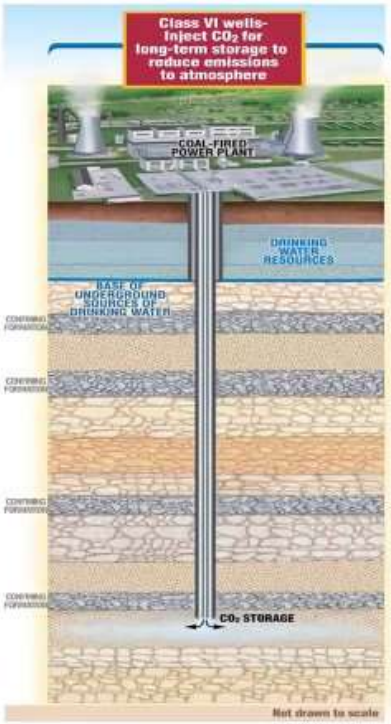
UNDERGROUND INJECTION CONTROL

- The Underground injection control (UIC) program is run by the Environmental Protection Agency (EPA).
- There are 6 classes of wells used for underground injection; EPA has requirements for the *"construction, operation, permitting, and closure of injection wells used to place fluids underground for storage or disposal".*
  - Class I: Industrial and municipal waste disposal wells.
  - Class II: Oil and gas related injection wells.
  - Class III: Injection wells for solution mining.
  - Class IV: Shallow hazardous and radioactive injection wells.
  - Class V: Wells for Injection of Non-Hazardous Fluids into or Above Underground Sources of Drinking Water (USDWs).
  - **Class VI: Wells used for Geologic Sequestration of Carbon Dioxide.**



Wellbore schematic/graphic
Source: Class VI - Wells used for Geologic Sequestration of Carbon Dioxide

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DEEP SALINE RESERVOIRS – BASIC IDEA

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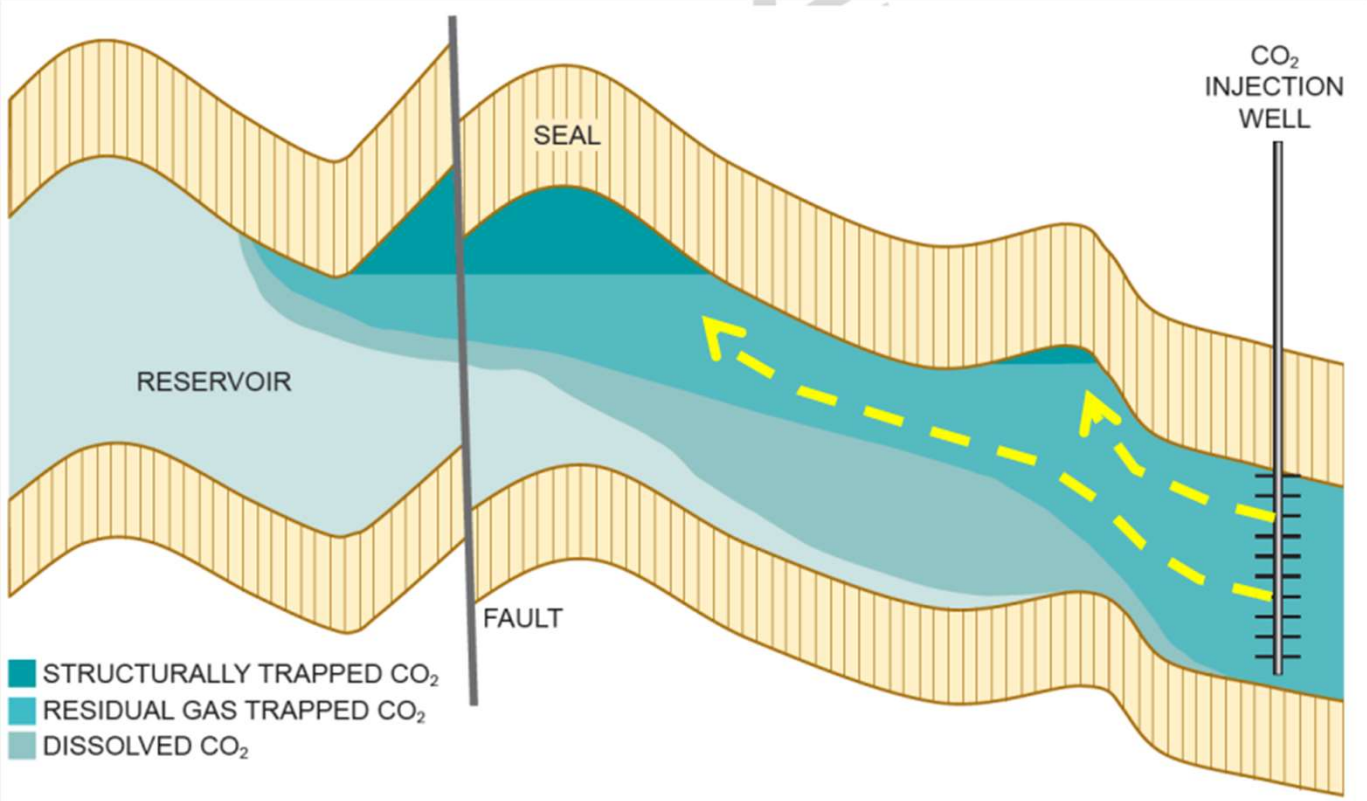

After National Petroleum Council, 2019. Meeting the dual challenge. A roadmap to at-scale deployment of carbon capture, use and storage.

- ADVANTAGE
  - LARGE
  - UNPENETRATED
- DISADVANTAGE
  - LACK OF DATA AVAILABILITY

EVOLUTION OF CAPTURE

- Networks, aka Hubs, proliferating
- Diverse industries: cement, steel, ethanol, coal-to-chem, hydrogen, waste-to-energy, gas power
- Direct Air Capture
  - First operational
  - Oxy: 70-135 sites
  - Huge push from DOE
- Micro-sources, e.g. buildings in NYC

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THE CONTINUED RISE OF CCS NETWORKS

- Networks continue to emerge as the preferred deployment method in the US and Europe.
- Multiple industrial point sources of CO_2 connected to a CO_2 transport and storage network.
- Access to large geological storage resources with the capacity to store CO_2 from industrial sources for decades.
- Economies of scale deliver lower unit-costs for CO_2 storage.
- Synergies between multiple CO_2 sources and the storage operator reduce cross chain risks and support commercial viability.

Drilling rig working on Offshore Appraisal Well (OAW) at Pelican site in Bass Strait, Victoria, Australia for the CarbonNet project.

US CO2 PIPELINE INFRASTRUCTURE

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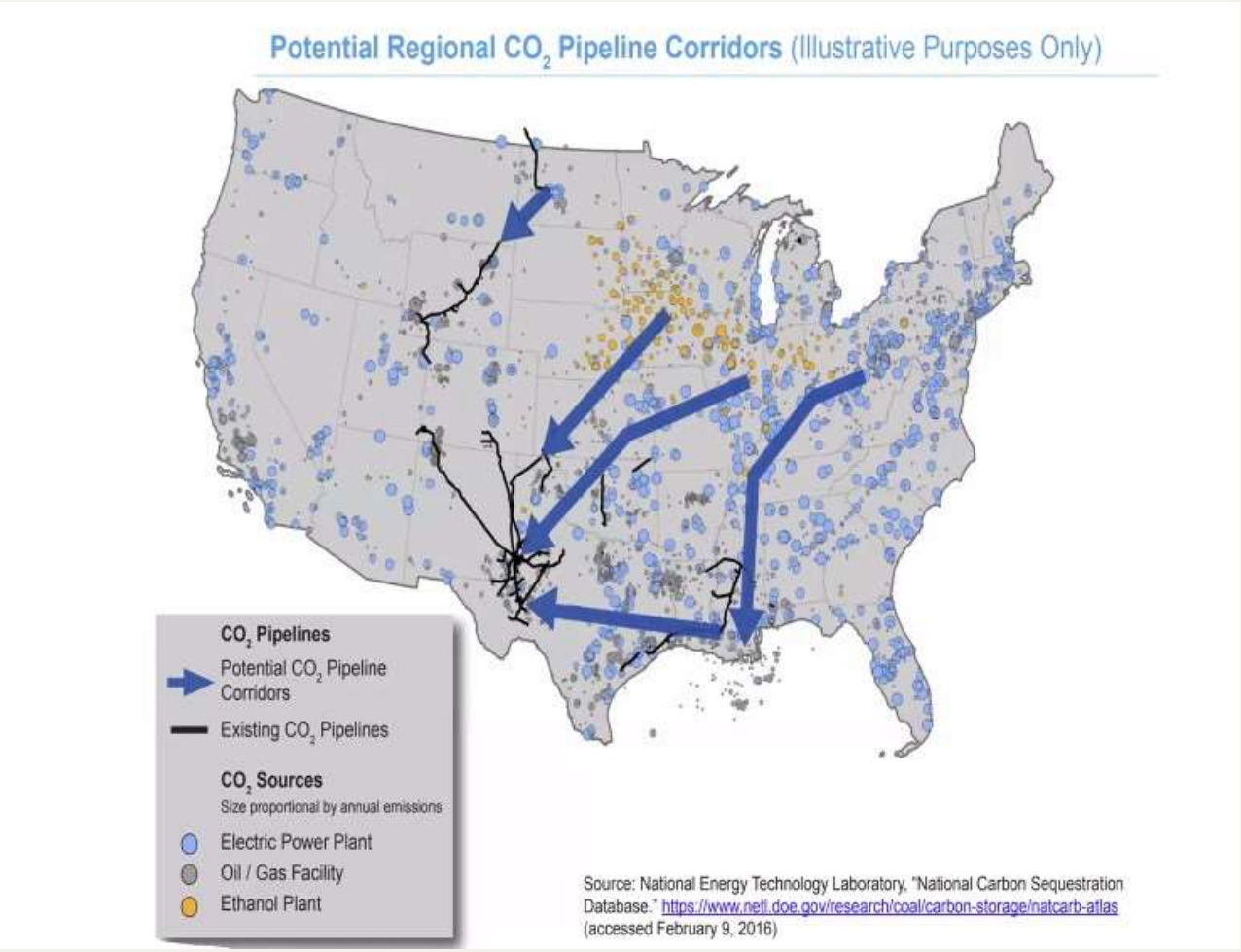

CO2 PIPELINE CONCERNS

- Not in my backyard (NIMBY)": Communities are not keen to have CO_2 pipelines being laid in their area.
- Safety: Communities are concerned about safety of CO_2 pipelines
- Extending life of fossil fuels: This is a distant third cause of concern after NIMBY and safety, however it is one that is used by some groups to catalyze opposition.

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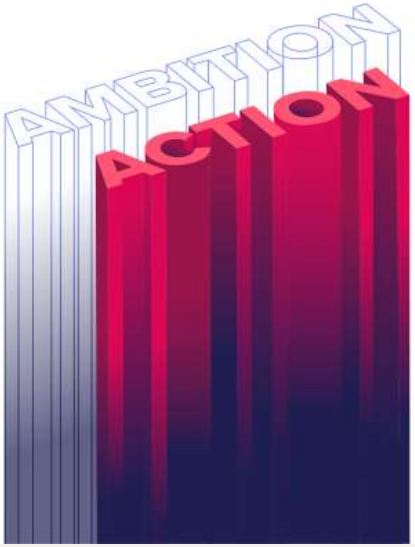
NET-ZERO BY 2050 REQUIRES STRONG ACTION BY 2030

- Although the increasing deployment of CCS is encouraging, we are far short of the scale required to achieve net-zero.
- The installed capacity of CCS needs to increase by at least 100-fold by 2050 to meet our climate targets.
- Reaching the required scale for CCS will require us all to work together: Governments to put in place supportive policy; private sector to build, own and operate; and financial sector to provide capital.



REGULATION, POLICY, IRA 2022

POSITIVE DEVELOPMENTS WITH CCUS

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RD&D continues to drive down cost of capture

- ✓ New technologies are being developed; second-generation technologies are ready for deployment; transformational technologies are in development (scale-up required)
- ✓ FOAK to NOAK commercial demonstration technologies significantly reduces costs

Policy incentives such as the Section 45Q tax credit, the Bipartisan Infrastructure Law, and the California Low Carbon Fuel Standard are driving investment

Project risk/uncertainty are reduced through regulatory/legal frameworks (Class VI UIC/State Primacy, clarification of pore space ownership), and 3rd party business models

DOE Fossil Energy and Carbon Management's focus on CCUS

New federal agencies and state governments supporting CCUS deployment (BOEM/BSSE, DOI, state legislators) with access to pore space and long-term stewardship frameworks

Advances with education & workforce development and stakeholder engagement

INTERNAL REVENUE CODE SECTION 45Q: TAX CREDIT

- Type of Credit: Carbon Sequestration Credit
- Term: 12 Years from placed in service date
- Start of Construction: Prior to January 1, ~~2026~~ (2033)
- Credit Rate: Varies based on activity (see accompanying graphic)

TAX CREDIT VALUE AVAILABLE FROM DIFFERENT SOURCES AND USES OF CO_2

MINIMUM SIZE OF ELIGIBLE CARBON CAPTURE PLANT BY TYPE ($ktCO_2$/YR)				RELEVANT LEVEL OF TAX CREDIT IN A GIVEN OPERATIONAL YEAR ($USD/$tCO_2$)									
Type of CO_2 Storage/Use	Power Plant	Other Industrial Facility	Direct Air Capture	2018	2019	2020	2021	2022	2023	2024	2025	2026	BEYOND 2026
Dedicated Geological Storage	500 18.75	100 12.5	100 1	$25.70	$28.74	$31.77	$34.81	$37.85	$40.89 $85	$43.92 $85	$46.96 $85	$50.00 $85	Indexed to Inflation
Storage via EOR	500 18.75	100 12.5	100 1	$15.29	$17.76	$20.22	$22.68	$25.15	$27.61 $60	$30.07 $60	$32.54 $60	$35.00 $60	
Other Utilization Processes[1]	25 18.75	25 12.5	25 1	$15.29	$17.76	$20.22	$22.68	$25.15	$27.61 $60	$30.07 $60	$32.54 $60	$35.00 $60	

[1] Each CO_2 source cannot be greater than 500 $ktCO_2$/yr

[2] Any credit will only apply to the portion of the converted CO_2 that can be shown to reduce overall emissions

SOURCE: GLOBAL CCS INSTITUTE; WITH RAW DATA FROM THE U.S. DEPARTMENT OF ENERGY

Updates via Inflation Reduction Act in RED

45Q FINANCING SOLUTIONS – AVAILABLE TO DEVELOPERS

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	TRADITIONAL TAX EQUITY	DIRECT PAY	TRANSFERABILITY
Initial Equity Requirements	Developer is responsible for project design and construction. However, a tax equity commitment may enable advantageous financing (i.e. bridge loans).	Significant – responsible for funding project design and construction.	Significant – responsible for funding project design and construction.
On-going Equity Requirements	Minimal – Tax Equity makes investment contributions to project over investment term.	Significant – responsible for funding on-going operations.	Significant – responsible for funding on-going operations.
Time Value of Money Considerations	Minimizes both equity requirements and the time horizon before returns can be realized.	Equity outstanding for potentially a long time before returns can be realized.	Equity outstanding for potentially a long time before returns can be realized.
Monetize All Tax Attributes	All tax attributes can be monetized.	Tax attributes such as depreciation and amortization and savings from operating losses may not be fully utilized.	Tax attributes such as depreciation and amortization and savings from operating losses may not be fully utilized.
Guidance Available	Yes – Safe Harbor	No – Unknown release date	No-Unknown release date

CCS PROJECT
45Q TAX CREDITS

GENERAL ASSUMPTIONS

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*****Hypothetical – For Discussion Purposes Only*****

GENERAL	
ASSET LOCATION	Kansas
LCFS LOCATION	Potential Revenue from LCFS or Voluntary Carbon Market Not Included
CARBON SEQUESTRATION	Assumes On-Site/Near-Site Sequestration
TIMING	
PLACED-IN SERVICE	1/1/2025
45Q END DATE	12/31/36
CCUS	
CO_2 PRODUCTION (TONS/YR)	200,000
CAPEX ASSUMPTION (TOTAL)	~$50MM
OPEX ASSUMPTIONS (TOTAL)	~$99MM
TRANSFERABILITY	
PRICE PER CREDIT	$.90

PROJECT CONTRACT STRUCTURE

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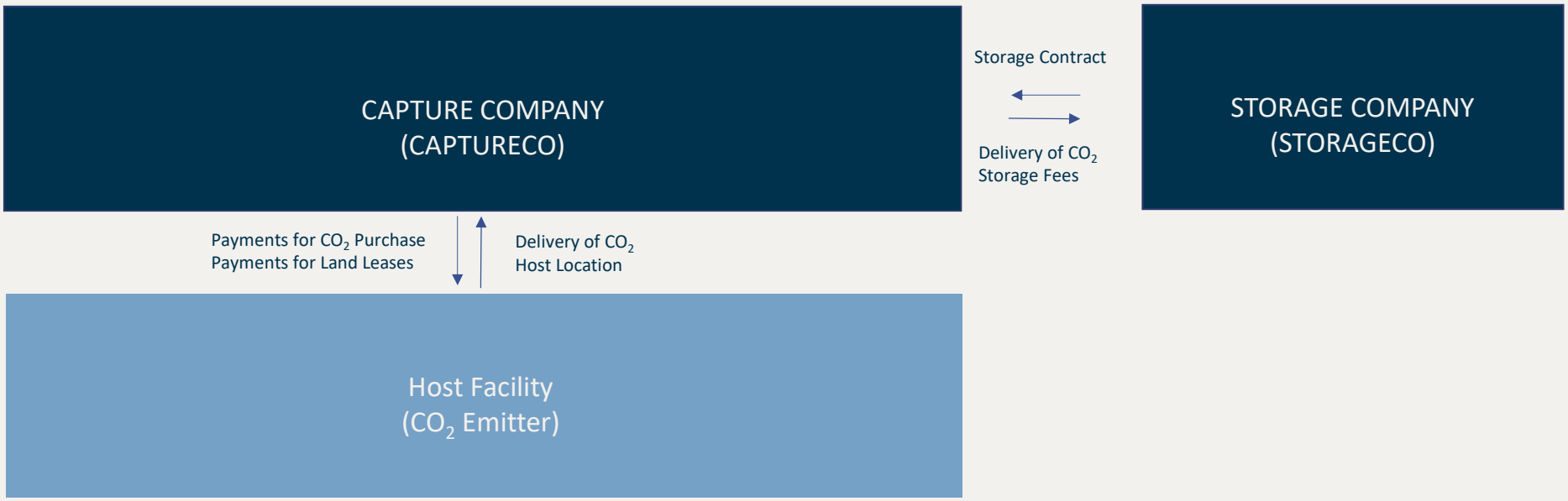

CCS DEVELOPER – Royalty Payment to Emitter for CO2 200,000 MTPA Sequestered

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- General Overview
  - Developer would be responsible for owning and operating a carbon capture and sequestration ("CCS") facility and sequester onsite via geological sequestration.
  - Developer is responsible for securing financing, permitting, construction, on-going operations (both capture & injection), and post-injection monitoring of the CCS facility.
  - Developer purchases CO2 from Emitter on a per ton basis, to capture the fermentation related CO2 produced at the biorefinery.

- Benefits to Emitter
  - $0 cost to Emitter for CCS implementation
  - Payments received by Emitter for each ton of CO2 produced
  - Provides the ability to monetize tax credits and other tax benefits that may not be fully utilized by Emitter's ownership structure.
  - All resulting environmental benefits from the reduction in carbon intensity (CI) scores remain with Emitter. Carbon Offset usually negotiated as a separate contract.
  - Reflects the least amount of involvement from Emitter

*****Hypothetical Example – For Discussion Purposes Only*****

		Total:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
General Volume & Credit Assumptions																
Total CO2 Captured & Sequestered	$000s	2,400			200	200	200	200	200	200	200	200	200	200	200	200
Applicable Tax Credit Rate	$0s				$ 85.00	$ 85.00	$ 86.70	$ 88.43	$ 90.20	$ 92.01	$ 93.85	$ 95.72	$ 97.64	$ 99.59	$ 101.58	$ 103.61
Tax Credits Generated	$000s	**$223,868**			**$17,000**	**$17,000**	**$17,340**	**$17,687**	**$18,041**	**$18,401**	**$18,769**	**$19,145**	**$19,528**	**$19,918**	**$20,317**	**$20,723**
General Expense Assumptions																
Capital Expenditures	$000s	$ (50,000)	$ (15,000)	$ (35,000)												
Ongoing Operations & Maintenance	$000s	$ (99,344)			$ (7,000)	$ (7,210)	$ (7,426)	$ (7,649)	$ (7,879)	$ (8,115)	$ (8,358)	$ (8,609)	$ (8,867)	$ (9,133)	$ (9,407)	$ (9,690)
Total Expenses	$000s	**$ (149,344)**	**$ (15,000)**	**$ (35,000)**	**$ (7,000)**	**$ (7,210)**	**$ (7,426)**	**$ (7,649)**	**$ (7,879)**	**$ (8,115)**	**$ (8,358)**	**$ (8,609)**	**$ (8,867)**	**$ (9,133)**	**$ (9,407)**	**$ (9,690)**
Option 1: Developer																
Total Tons	000s	$ 2,400			200	200	200	200	200	200	200	200	200	200	200	200
Hypothetical Payment Per Ton	$0s				$ 17.00	$ 17.00	$ 17.34	$ 17.69	$ 18.04	$ 18.40	$ 18.77	$ 19.14	$ 19.53	$ 19.92	$ 20.32	$ 20.72
Net Payments to Emitter	$000s	**$ 44,774**	**$ -**	**$ -**	**$ 3,400**	**$ 3,400**	**$ 3,468**	**$ 3,537**	**$ 3,608**	**$ 3,680**	**$ 3,754**	**$ 3,829**	**$ 3,906**	**$ 3,984**	**$ 4,063**	**$ 4,145**
Net Payments to Developer		**$ 79,750**			**$6,600**	**$6,390**	**$6,446**	**$6,500**	**$6,554**	**$6,606**	**$6,657**	**$6,707**	**$6,755**	**$6,801**	**$6,846**	**$6,889**
XNPV @ 10% Discount Rate	$000s	*$21,554*														

- Emitter retains 20% of 45Q Tax Credits generated, Developer retains 46%
- Developer Capex $50Mn, payout 7yrs
- 200,000MTPA considered small volume. Minimum capital requirement to install capture equipment and sequester facility

400,000 MTPA Sequestered

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Hypothetical Example – For Discussion Purposes Only

		Total:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
General Volume & Credit Assumptions																
Total CO2 Captured & Sequestered	$000s	4,800			400	400	400	400	400	400	400	400	400	400	400	400
Applicable Tax Credit Rate	$0s				$ 85.00	$ 85.00	$ 86.70	$ 88.43	$ 90.20	$ 92.01	$ 93.85	$ 95.72	$ 97.64	$ 99.59	$ 101.58	$ 103.61
Tax Credits Generated	$000s	**$447,736**			**$34,000**	**$34,000**	**$34,680**	**$35,374**	**$36,081**	**$36,803**	**$37,539**	**$38,290**	**$39,055**	**$39,836**	**$40,633**	**$41,446**
General Expense Assumptions																
Capital Expenditures	$000s	$ (70,000)	$ (30,000)	$ (40,000)												
Ongoing Operations & Maintenance	$000s	$ (149,016)			$ (10,500)	$ (10,815)	$ (11,139)	$ (11,474)	$ (11,818)	$ (12,172)	$ (12,538)	$ (12,914)	$ (13,301)	$ (13,700)	$ (14,111)	$ (14,534)
Total Expenses	$000s	**$ (219,016)**	**$ (30,000)**	**$ (40,000)**	**$ (10,500)**	**$ (10,815)**	**$ (11,139)**	**$ (11,474)**	**$ (11,818)**	**$ (12,172)**	**$ (12,538)**	**$ (12,914)**	**$ (13,301)**	**$ (13,700)**	**$ (14,111)**	**$ (14,534)**
Option 1: Developer																
Total Tons	000s	$ 4,800			400	400	400	400	400	400	400	400	400	400	400	400
Hypothetical Payment Per Ton	$0s				$ 17.00	$ 17.00	$ 17.34	$ 17.69	$ 18.04	$ 18.40	$ 18.77	$ 19.14	$ 19.53	$ 19.92	$ 20.32	$ 20.72
Net Payments to Emitter	$000s	**$ 89,547**	**$ -**	**$ -**	**$ 6,800**	**$ 6,800**	**$ 6,936**	**$ 7,075**	**$ 7,216**	**$ 7,361**	**$ 7,508**	**$ 7,658**	**$ 7,811**	**$ 7,967**	**$ 8,127**	**$ 8,289**
Net Payments to Developer		**$ 209,173**			**$16,700**	**$16,385**	**$16,605**	**$16,825**	**$17,047**	**$17,270**	**$17,493**	**$17,718**	**$17,943**	**$18,169**	**$18,395**	**$18,622**
XNPV @ 10% Discount Rate	$000s	*$43,108*														

- Capex increased 40%, OpEx increased 50% from 200,000MTPA to 400,000MTPA
- Emitter retains 20% of 45Q Tax Credits generated, Developer retains 47%
- Developer Capex $70Mn, payout 4.1yrs

QUESTIONS


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