OFRA
OFFICE FOR FISCAL AND REGULATORY ANALYSIS

Preliminary Analysis
April 14, 2026

OFRA Estimate

DAC-specific Section 45Q counterfactuals scored relative to current law

Budget window: 2026–2035

Scenario A — DAC Elimination Only

Metric	Low	High
Federal Fiscal Impact	$3.1	$9.4
Compliance Impact (millions of $)	$2.3	$7.0
Outcomes (change in additional MMt CO2)	(17.1)	(50.2)
GDP Impact	$0.9	$3.3

Values are in billions of dollars unless otherwise noted. Positive fiscal, compliance, and GDP values denote savings or gains relative to current law; negative outcomes denote reduced additional capture relative to current law.

Scenario B — DAC Credit Reduced to $85

Metric	Low	High
Federal Fiscal Impact	$1.6	$5.0
Compliance Impact (millions of $)	$1.2	$3.6
Outcomes (change in additional MMt CO2)	(9.0)	(26.5)
GDP Impact	$0.5	$1.7

Values are in billions of dollars unless otherwise noted. Positive fiscal, compliance, and GDP values denote savings or gains relative to current law; negative outcomes denote reduced additional capture relative to current law.

Methodology & Notes

Background: This memorandum extends the existing OFRA Section 45Q preliminary estimate to two DAC-only counterfactuals,[i] while preserving the core model structure. Unlike the base estimate, which compares current law to a no-credit baseline, the two scenarios above are measured as changes relative to current law. The model accounts for explicit point-source and DAC credit rates, category-specific claim realization, an additionality module applied only to outcomes, claimant compliance costs, and a supplemental GDP framework. The model separates point-source and DAC statutory rates, and the Low/High case sheets carry that separation through benchmark tons, claimed tons, and fiscal costs.

Fiscal Effects: Federal fiscal effects were scored on forecast current-law DAC claimed tons. Scenario A sets the DAC credit to $0. Scenario B sets the DAC rate equal to the point-source rate each year. All non-DAC rates, claim rates, and benchmark tons remain unchanged.

Outcomes: Outcome effects keep non-DAC additionality unchanged. Scenario A sets DAC additionality to zero. Scenario B scales DAC additionality by 85/180, the ratio of the modified DAC rate to the current-law DAC rate under the shared escalator. This preserves the original deployment benchmark and applies behavior only through the DAC-specific additionality channel.

Compliance Costs: Compliance effects use the same claimant-count logic as the original preliminary estimate. DAC claimant counts are estimated from DAC claimed tons divided by average claimed tons per claimant. Scenario A removes DAC claimants. Scenario B scales DAC claimant participation by the same 85/180 factor used for DAC additionality.

GDP: GDP effects use the same stylized formula as the original estimate. Deadweight loss on compliance costs plus marginal excess burden on fiscal costs, plus a carry-forward term.

Context and sensitivity

Because point-source 45Q remains intact, the modified-policy still implies substantial residual activity and fiscal cost. Under Scenario A, residual federal fiscal cost over 2026–2035 is about $27.3 billion in the low case and $47.1 billion in the high case, with residual additional capture of 216.5 and 407.5 million metric tons, respectively. Under Scenario B, residual fiscal cost is about $28.8 billion and $51.5 billion, with residual additional capture of 224.6 and 431.3 million metric tons.

Results scale materially with the assumed DAC share because only the DAC component of the credit is changed. A rough ±25 percent change in the DAC share assumption would move Scenario A fiscal savings by about ±$0.8 billion in the low case and ±$2.4 billion in the high case; Scenario B fiscal savings would move by about ±$0.4 billion and ±$1.2 billion, respectively. Outcome losses would move proportionally.

Scenario B is also sensitive to the assumed DAC elasticity. Under a pure no-behavior view, the outcome loss in Scenario B would be near zero. Under a cliff-case view, the outcome loss would approach Scenario A ((17.1) low and (50.2) high). The mainline specification used here sits between those bounds at (9.0) low and (26.5) high.

[i] Office of Fiscal and Regulatory Analysis. OFRA Estimate: Credit for Carbon Oxide Sequestration Section 45Q. April 7, 2026.