

# Economic Contributions of Summit Carbon Solutions

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## Tax contribution analysis methodology

Project construction and operations generate substantial tax revenues for federal, state, and local governments. These taxes are paid either directly by Summit or indirectly by other business owners and their employees due to the economic activities related to the Project. The fiscal impact includes the taxes generated as a result of the Project's construction and operation. Major taxes include individual and corporate income taxes (related to suppliers), sales taxes, property taxes, and excise taxes.

Taxes incurred due to direct, indirect, and induced economic activity were calculated separately for capital expenditures and operating expenditures across each of the five affected states and all other US states. Taxes on some direct labor income and all indirect and induced labor income were

calculated by applying an average effective tax rate to labor income.<sup>9</sup> Where applicable, direct taxes on Summit were estimated using a more detailed methodology. This includes the following taxes arising from capital expenditures: individual income tax, sales tax, property tax, and excise tax. Corporate income tax was estimated to be zero due to a lack of data on construction contractors. Operations taxes include individual income tax, corporate income tax, property tax, and excise tax.<sup>10</sup> The analysis does not include tax impacts derived from Section 45Q, which provides an annual federal tax credit for the sequestration of carbon dioxide. Summit estimates that the value of such credits will be \$414 million in 2025. Appendix B contains further detail on the tax estimation methodology.

## Interpretation of results and limitations of the analysis

The results presented in this report were estimated using standard economic contribution estimation techniques and a widely-used economic model, the IMPLAN model. In interpreting the results, the reader should note the following:

- ▶ All of the results presented in this report are based to some degree on data provided by Summit, which has not been independently audited or validated by EY. As such, EY offers no opinion on the validity of the data provided by Summit, although it was reviewed for general reasonableness and internal consistency.
- ▶ The estimates are based on the IMPLAN economic model, which incorporates economic data from the United States Bureau of Economic Analysis, Bureau of Labor Statistics, and other public data sources. The data contained in this model includes industry averages for a wide range of industries. Due to data constraints, some of the estimates included in this report rely on model-specified levels of economic output and the use of operating inputs rather than information provided by Summit. However, all direct employment and labor income information is based on information supplied by Summit.
- ▶ In most cases, Summit provided detailed cost breakdowns by state. Where missing, EY apportioned miscellaneous costs to states based on an understanding of the location of construction activity and pipeline mileage.
- ▶ The economic impact does not consider the counterfactual. Total employment figures presented in this report are not necessarily net new jobs, but rather gross new jobs supported in the five pipeline states and the rest of the United States. Some of the jobs may be supported as workers shift between industries in the labor market, meaning the net change in employment will likely be smaller than the gross employment impacts shown in this report.
- ▶ This report does not include economic impacts derived from Section 45Q, which provides an annual federal tax credit for the sequestration of carbon dioxide. Summit estimates that the value of such credits will be \$414 million in 2025.

<sup>9</sup> Effective tax rates were calculated as total federal, state or local tax collections as reported by the Internal Revenue Service (IRS) and United States Census as a share of state personal income. The effective tax rates were then multiplied by direct and indirect labor income generated by pipeline activity to estimate overall tax liability. The tax liability for all other US states was calculated as total tax collections across other US states as a share of average personal income.

<sup>10</sup> Summit is not directly liable for the corporate income tax, but indirect and induced activities caused by Summit's operations may be subject to it.



- ▶ Modeling the economic contribution of the capital expenditures and Summit's annual operations relies on the IMPLAN industry classifications. Please refer to Appendix A for a complete list of industries used in the modeling. This report relates the activities of those industries and commodities as defined by the IMPLAN 546 Industry Scheme to most effectively estimate the industries' economic contributions. Workers are assumed to receive the average wages and benefits of workers in their respective industry. They are also assumed to require the level of operating input purchases characteristic of the industries into which they have been categorized. This analysis relies on estimates of the domestically purchased inputs from the IMPLAN economic model, which are estimated using aggregate trade flow data and may vary by industry.
- ▶ Economic output reported in this report includes double counting. Input-output modeling can include double counting in its indirect and induced estimates, especially while estimating gross economic output. The gross economic output should not be interpreted as gross domestic product or value-added.
- ▶ IMPLAN model is not based on a computable general equilibrium (CGE) model and is entirely based on average multipliers rather than marginal effects. IMPLAN multipliers reflect industry linkages in a local economy at a specific point in time but do not consider price elasticities or changes in consumer or industry behavior. The model only captures the demand side and assumes there are no capacity constraints.
- ▶ The economic impacts report in this report are based on preliminary estimates of costs by Summit from a specific point in time. Thus, revisions to the amount of capital expenditures and operating costs may produce significantly different economic impacts.
- ▶ The direct property tax impact during the Project operation is provided by Summit based on its preliminary estimates of operations from a specific point in time, and EY has not independently validated the impact. The direct property tax impact is the primary driver of Summit's total operations tax contributions.

