



Over \$1.2 Billion in Funding Announced by Department of Energy for Regional Direct Air Capture Hubs

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On December 13, 2022, the U.S. Department of Energy (DOE) Office of Fossil Energy and Carbon Management (FECM) released a [Funding Opportunity Announcement](#) (FOA) explaining how DOE will make available over \$1.2 billion of federal funding to promote the development of four Regional Direct Air Capture Hubs (“DAC Hubs”). The Infrastructure Investment and Jobs Act of 2021 (IIJA) requires DOE to establish a program to accelerate DAC Hub development. This FOA is the first of two expected announcements explaining the process DOE will follow to allocate \$3.5 billion appropriated by the IIJA through fiscal year 2026 for this purpose. The DOE anticipates that the remaining funding tranche will be made available in a second FOA to be released in 2024 or later.

The IIJA defines a “regional direct air capture hub” to be a network of direct air capture projects, potential carbon dioxide utilization off-takers, connective carbon dioxide transport infrastructure, subsurface resources and sequestration infrastructure located within a region. Each of the regional DAC Hub must (1) facilitate the deployment of direct air capture projects; (2) have the capacity to capture and sequester, utilize, or sequester and utilize at least one million metric tons of carbon dioxide from the atmosphere annually from a single unit or multiple interconnected units; (3) demonstrate the capture, processing, delivery and sequestration of end-use of captured carbon; and (4) have the capacity to be developed into a regional or interregional carbon network to facilitate sequestration or carbon utilization.

The DOE anticipates making approximately 22 awards available under this initial FOA, ranging between \$3 and \$500 million each. DOE has categorized and characterized how it plans to

allocate the awards based upon five distinct phases of development and implementation: Phase 0: Feasibility; Phase 1: Detailed Plan and Front-End Engineering Design (FEED) Studies; Phase 2: Project Development, Permitting, and Financing; Phase 3: Procurement, Construction and Integration; and Phase 4: Ramp-Up and Sustained Operations. Funding under the initial FOA is limited to projects that respond to the first three phases, under the assumption that funding for the later phases is too premature given the complexities related to and relative immaturity of the DAC Hub concept. On that assumption, DOE anticipates that up to 12 awards will provide funding for feasibility studies for Regional DAC Hub concepts, up to eight awards will concern FEED studies for Regional DAC Hubs, and two awards will be made for up to two Regional DAC Hubs to complete Phases 2 through 4, including Community Benefits Plans that consider Environmental Justice and Justice40 principals and National Environmental Policy Act work as the project progresses towards construction and initial operation. The next tranche of funding will be directed to the later stages of development. Award recipients also will be subject to cost sharing obligations, the IJJA's Build America, Buy America requirements and Davis-Bacon Wage Rate requirements.

The FOA is designed to enable a range of domestic entities to apply for DAC Hubs, including state/local governments, academic institutions, non-profit organizations and private corporations. It is also designed to encourage partnerships between DAC developers focused on a diverse set of technologies, and to promote innovative DAC Hub ownership structures, such as a utility model, or community or publicly owned organizations and/or models tailored to support underserved communities, to participate alongside more traditional industry models.

Any entity interested in receiving federal funding under this FOA must submit a letter of intent to the DOE by January 24, 2023, at 5:00 p.m. ET. Full applications will be due on March 13, 2023, at 5:00 p.m. ET. The FOA coincides with a suite of announcements made by DOE on December 13 on behalf of FECM. These include the FECM's Direct Air Capture Commercial and Pre-Commercial Prize totaling \$115 million to promote diverse approaches to direct air capture; Carbon Utilization Procurement Grants to be managed by FECM to provide grants totaling up to \$100 million to states, local governments and public utilities to support the commercialization of technologies that reduce carbon emissions; and the Bipartisan Infrastructure Law Technology Commercialization Fund (TCF) managed in partnership with FECM and DOE's Office of Technology Transitions, which may award \$15 million to projects led by DOE National Laboratories, plants and sites, and supported by diverse industry partnerships spanning the emerging carbon dioxide removal sector.

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