

HB 280

Cook Inlet Recovery Act

Fact Sheet

Prepared by Representative Mike Hawker's Office

1. What is a gas storage facility (GSF)?

A GSF can be a depleted or nearly depleted underground gas reservoir, aboveground tank, or any other structure that has the capacity to store natural gas.

2. What are the minimum requirements for a GSF to qualify for financial incentives in the Cook Inlet Recovery Act? Who determines if a GSF meets these requirements?

In order to qualify for the financial incentives in CIRA, a GSF must have the capacity to store more than 500 million cubic feet of working gas and deliver gas at a rate of at least 10 million cubic feet per day. The Alaska Oil and Gas Conservation Commission (AOGCC) will be required to certify these capacities within six months of receiving an application and provide the certification to the applicant, the Department of Natural Resources and the Department of Revenue.

3. What happens if the GSF stops operating?

A GSF ceases operations if it doesn't inject or withdraw at least 10 million cubic feet of gas in a calendar year. The operator is required to notify the AOGCC by April 1st of the following year. If this happens, the GSF will no longer be eligible for state lease fees exemptions or tax credits.

4. Sections 4 and 10 of the bill state that gas withdrawn from a GSF is considered to be non-native gas and not considered to be produced until all non-native gas has been withdrawn. What does this mean and why do we need this language?

This language requires that state follow last-in, first-out accounting rules for gas in a GSF. "Native gas" is any gas that is already in a storage facility and will be subject to existing royalty and production taxes when it is produced. "Non-native gas" includes all gas that is injected into the facility for temporary storage - royalty and production taxes were assessed when it was produced. By including this language, it is clear that non-native gas extracted from a GSF is not taxed twice and native gas is not subject to royalty and production taxes until all non-native gas is withdrawn.

5. Gas storage companies are receiving lease exemptions and tax breaks under CIRA. Are these savings passed on to the consumer?

Yes. Language in sections 4 and 6 require the owner of a GSF to reflect the savings of any financial benefits enacted in CIRA in their gas storage price.