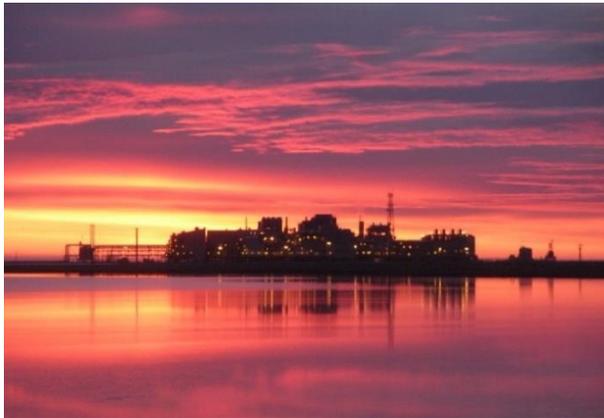


HB 49 Sectional Review

House Finance Committee



Presented by Rena Miller, Special Assistant
Office of the Commissioner
Alaska Department of Natural Resources
March 31, 2023



Two pathways under HB 49



(1) State leases land to third party for carbon purpose

- Third party is project proponent, third party receives credits/revenue
- State receives compensation for lease; can include annual rent, portion of receipts, other
- On State land leased to third party; not on State Forests
- For general carbon management purposes

(2) State undertakes carbon offset project on State land

- State is project proponent, State receives credits
- “Carbon Offset Program” housed under Office of Project Management and Permitting
- On State land and State Forests
- No third-party leases required
- For land/resource-based carbon offset projects

HB 49 sectional analysis



| Section | Page | Provision |
|------------|------|---|
| Sec. 1 | 1 | Procurement code exemption for Carbon Offset Program contracts (State projects) |
| Sec. 2 | 1 | Non-general fund program receipts conforming to Sec. 6 (State projects) |
| Sec. 3-5 | 2-4 | State land leases to third parties for carbon purposes (third-party projects) |
| Sec. 6 | 4-8 | Establishes new Carbon Offset Program at Department of Natural Resources (State projects) |
| Sec. 7-9 | 8 | Enable projects on Haines State Forest Resource Management Area (State projects) |
| Sec. 10-13 | 8-9 | Enable projects on State Forests generally (State projects) |
| Sec. 14 | 9 | Effective date |

HB 49 detail: State land leases



| Section | Page | Provision |
|-----------|------|--|
| Section 3 | 2 | Conforming; exempts new carbon purpose state land leases (Sec. 4) from general land lease award provisions |
| Section 4 | 2-4 | New section addressing State land leases for carbon management purposes <ul style="list-style-type: none">- Provides application; award; appeal processes- Caps leases at 55 years; allows termination for cause- Applies standard terms for renewals, assignments, etc. |
| Section 5 | 4 | Conforming; exempts new carbon purpose state land leases (Sec. 4) from general land lease lessee preference rights |

Leasing: Fundamental to Division of Mining, Land and Water (DMLW) business



- Lease programs support a variety of commercial industry, public and charitable, and private sector needs
- Alaska Land Act (AS 38.05) sets out provisions including:
 - Best interest findings and public notice
 - Application, award, lease conditions, compensation
 - Term length, preference rights eligibility





Comparison to existing commercial leases

| Standard commercial leases | Proposed carbon purpose leases |
|---|---|
| Best interest finding required | Best interest finding required |
| <ul style="list-style-type: none">• 55-year maximum lease term with renewal potential• Competitive interest or auction required prior to awarding leases for term longer than 10 years | <ul style="list-style-type: none">• 55-year maximum lease term with renewal potential• Exempt from competitive bidding; lease awarded to most qualified applicant |
| Compensation designed to maximize return to the state, in a form provided for under AS 38.05.073(m) | Compensation designed to maximize return to the state, in a form provided for under AS 38.05.073(m) |

Comparison continued...



| Standard commercial leases | Proposed carbon purpose leases |
|---|---|
| <ul style="list-style-type: none">Existing public access and potential third-party uses of lease site are closely evaluated and appropriate public access reservedSpecifics vary based on particular project and area needs. | <ul style="list-style-type: none">Same evaluations done, but general public use reservations are more explicitly required for carbon leases.To the extent practicable, carbon lease lands must remain open to the public for access, hunting, fishing, and other generally allowed uses |
| Long-term leaseholder in good standing at end of lease term is eligible to apply for preference right sale under AS 38.05.102 | No preference right sale eligibility under AS 38.05.102 |

HB 49 detail: Carbon Offset Program



| Proposed | Page | Provision |
|-----------|------|---|
| 38.95.400 | 4-5 | Carbon offset program |
| 38.95.410 | 5 | Carbon offset project criteria; evaluation; best interest finding |
| 38.95.420 | 5-6 | Registration and sale of carbon offset credits; records |
| 38.95.430 | 6 | Carbon offset revenue fund |
| 38.95.499 | 6 | Definitions: Defines 16 terms |

Thank you



Joe Byrnes

Legislative Liaison

Department of Natural Resources

907-465-4730

Joe.Byrnes@alaska.gov



Appendix: Leakage



- When emission reductions from a project are countered elsewhere, diminishing the real reductions claimed
- Registry accounts for leakage risk within protocol
 - Example: Improved Forest Management standard
 - De minimis activity shifting leakage allowed, monitoring required
 - Market leakage estimated using equations provided under protocol or directly accounted for using verifiable methods