

**AMENDMENT #1**

OFFERED IN THE HOUSE

BY REPRESENTATIVE EDGMON

TO: CSHB 50(FIN), Draft Version "R"

Page 1, line 4, following "**recovery;**":

Insert "**relating to long-term monitoring and maintenance of storage facilities;**"

Page 2, line 9, following "**AS 41.06.005 - 41.06.060**":

Insert "**and 41.06.305**"

Page 2, line 11:

Delete "a new paragraph"

Insert "new paragraphs"

Page 2, line 13, following "(AS 41.06.160)":

Insert ";

(87) carbon storage closure trust fund (AS 37.14.850)"

Page 2, line 22:

Delete "(c) of this section and"

Following "fund.":

Insert "The payments received for each storage facility shall be separately accounted for under AS 37.05.142. The commissioner of revenue is a fiduciary of the fund. The commissioner of revenue shall manage and invest the fund assets as provided in AS 37.10.071."

Page 2, lines 23 - 29:

1 Delete all material and insert:

2 "(c) The commissioner of natural resources may make expenditures from the  
3 carbon storage closure trust fund for the purpose of conducting long-term monitoring  
4 and maintenance of a storage facility under AS 41.06.305. If a storage operator is  
5 unable to fulfill the storage operator's duties and the financial assurance provided by  
6 the storage operator under AS 41.06.110(c)(2) is exhausted or insufficient, the Alaska  
7 Oil and Gas Conservation Commission may make expenditures from the fund for the  
8 purposes allowed under AS 41.06.105 - 41.06.210."

9  
10 Page 3, line 2:

11 Delete all material and insert:

12 "(2) "storage facility" and "storage operator" have the meanings given  
13 in AS 41.06.210."

14  
15 Page 11, line 2, following "allow":

16 Insert "all or part of"

17  
18 Page 11, following line 23:

19 Insert a new section to read:

20 "**Sec. 38.05.735. Annual report to the legislature.** The commissioner shall  
21 prepare an annual report that includes an accounting of the carbon storage closure trust  
22 fund established under AS 37.14.850 and information on carbon storage licensing  
23 applications and decisions and the issuance of carbon storage leases. The  
24 commissioner shall submit the report to the senate secretary and the chief clerk of the  
25 house of representatives on or before February 1 of each year and notify the legislature  
26 that the report is available."

27  
28 Page 19, line 18, following "permit;":

29 Insert "and"

30  
31 Page 19, lines 21 - 22:

1 Delete "; and

2 (6) grant, for good cause, exceptions to AS 41.06.105 - 41.06.210"

3  
4 Page 19, line 27, following "AS 38.05.700 - 38.05.795":

5 Insert "or AS 41.06.305"

6  
7 Page 22, line 19:

8 Delete "mineral"

9 Insert "pore space"

10  
11 Page 23, line 20:

12 Delete "pre-closure"

13 Insert "pre-completion"

14  
15 Page 24, line 6, following "facility.":

16 Insert "When a certificate of completion is issued under AS 41.06.170, title to carbon  
17 dioxide injected into and stored in a storage reservoir is transferred to the owner of the pore  
18 space, unless the storage operator and the owner of the pore space have a contrary  
19 agreement."

20  
21 Page 24, lines 7 - 8:

22 Delete "; **release; transfer of title and custody**"

23  
24 Page 24, line 16:

25 Delete "10 years have"

26 Insert "50 years, or another period approved by the commission for the storage  
27 reservoir based on requirements established in regulation, have"

28  
29 Page 24, line 20:

30 Delete "is in full compliance"

31 Insert "has fully complied"

Page 24, lines 30 - 31:

Delete "to be used in the post-closure period"

Insert "allowed to remain in place following post-injection site care and site closure"

Page 25, lines 6 - 20:

Delete all material and insert:

"(c) Once a certificate of completion is issued, the department assumes primary responsibility for long-term monitoring and maintenance of the storage facility, as provided in AS 41.06.305. The storage operator and all persons who generated injected carbon dioxide are released from liability to the state associated with the storage facility in an amount equal to the amount attributed to the storage facility in the carbon storage closure trust fund established in AS 37.14.850. The state, the department, or the commission is not liable for damages arising out of, or in any manner connected with, long-term monitoring and maintenance of a storage facility if the amount for the storage facility separately accounted for in the carbon storage closure trust fund established in AS 37.14.850 is unavailable or insufficient. A bond posted by the storage operator under AS 41.06.110(c)(2) must be released. In this subsection, "long-term monitoring and maintenance" has the meaning given in AS 41.06.305(e).

**Sec. 41.06.175. Carbon storage facility injection surcharge.** (a) A storage operator injecting carbon dioxide at a storage facility shall pay to the commission a surcharge each year for the first 12 years that carbon dioxide is injected at the storage facility. The commission shall deposit the surcharge into the general fund. The legislature may appropriate a surcharge collected under this subsection into the carbon storage closure trust fund established in AS 37.14.850.

(b) The annual surcharge in this section is determined by the following formula:  $S = (7,500,000 \times (I/261.78)) / 12$ , where

(1) S is the dollar amount of the annual surcharge for a storage facility;

(2) I is equal to the Consumer Price Index for urban consumers for urban Alaska, as determined by the United States Department of Labor, Bureau of

1 Labor Statistics, without seasonal adjustment, for December of the calendar year  
 2 immediately preceding the year of issuance of the storage facility permit."

3  
 4 Page 29, following line 18:

5 Insert a new section to read:

6 **"Article 3. Long-Term Monitoring and Maintenance of Carbon Storage Facilities.**

7 **Sec. 41.06.305. Long-term monitoring and maintenance.** (a) The  
 8 department shall conduct long-term monitoring and maintenance of a storage facility  
 9 that has been issued a certificate of completion under AS 41.06.170.

10 (b) Under this section, the authority of the department applies to all land in the  
 11 state lawfully subject to the police power of the state, including private land,  
 12 municipal land, state land, land of the United States, and land subject to the  
 13 jurisdiction of the United States. The department may enter, at a reasonable time and  
 14 in a reasonable manner, the site of a storage facility that has been issued a certificate  
 15 of completion under AS 41.06.170.

16 (c) The state, the department, and the commission have no obligation to pay  
 17 costs associated with long-term monitoring and maintenance of a storage facility in an  
 18 amount greater than the amount attributable to that storage facility and separately  
 19 accounted for under AS 37.14.850.

20 (d) The department may adopt regulations under AS 44.62 (Administrative  
 21 Procedure Act) to carry out the purposes of this section.

22 (e) In this section,

23 (1) "commission" means the Alaska Oil and Gas Conservation  
 24 Commission created under AS 31.05.005;

25 (2) "long-term monitoring and maintenance" means an activity  
 26 associated with monitoring and maintenance of a storage facility that has been issued a  
 27 certificate of completion under AS 41.06.170 and may include

28 (A) operational and long-term inspecting, testing, and  
 29 monitoring of the storage facility site, wells, and remaining facilities;

30 (B) remediation measures arising from the storage facility site,  
 31 including remediation of property and mechanical problems associated with

1 wells and remaining facilities;

2 (C) repairing mechanical leaks at the storage facility site;

3 (D) plugging and abandoning wells;

4 (E) converting wells for use as observation wells;

5 (F) purchasing or paying insurance costs for a storage facility,  
6 whether commercially or through government funding;

7 (3) "storage facility" has the meaning given in AS 41.06.210."  
8

9 Page 30, lines 14 - 16:

10 Delete all material.  
11

12 Renumber the following bill sections accordingly.  
13

14 Page 33, line 5:

15 Delete "Section 40"

16 Insert "Section 39"

**AMENDMENT #2**

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 50(FIN), Draft Version "R"

Page 1, line 2, following "**Commission;**":

Insert "**relating to the definition of 'waste';**"

Page 2, following line 10:

Insert a new bill section to read:

"\* **Sec. 4.** AS 31.05.170(15) is amended to read:

(15) "waste" means, in addition to its ordinary meaning, **physical waste** ["PHYSICAL WASTE"] and includes

(A) the inefficient, excessive, or improper use of, or unnecessary dissipation of, reservoir energy; and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well in a manner **that** [WHICH] results or tends to result in reducing the quantity of oil or gas to be recovered from a pool in this state under operations conducted in accordance with good oil field engineering practices;

(B) the inefficient above-ground storage of oil; and the locating, spacing, drilling, equipping, operating, or producing of an oil or gas well in a manner causing, or tending to cause, unnecessary or excessive surface loss or destruction of oil or gas;

(C) producing oil or gas in a manner causing unnecessary water channeling or coning;

(D) the operation of an oil well with an inefficient gas-oil ratio;

(E) the drowning with water of a pool or part of a pool capable of producing oil or gas, except insofar as and to the extent authorized by the

1 commission;

2 (F) underground waste;

3 (G) the creation of unnecessary fire hazards;

4 (H) the release, burning, or escape into the open air of gas [,]  
5 from a well producing oil or gas **or from a fuel line carrying oil or gas,**  
6 except to the extent authorized by the commission;

7 (I) the use of gas for the manufacture of carbon black, except as  
8 provided in this chapter;

9 (J) the drilling of wells unnecessary to carry out the purpose or  
10 intent of this chapter."  
11

12 Renumber the following bill sections accordingly.  
13

14 Page 33, line 5:

15 Delete "Section 40"

16 Insert "Section 41"



**AMENDMENT #3**

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 50(FIN), Draft Version "R"

Page 6, line 28:

Delete "and"

Page 6, following line 28:

Insert a new paragraph to read:

"(3) be conditioned on an obligation by the licensee to, upon termination of the license, promptly remove all improvements and equipment as provided in AS 38.05.735; and"

Renumber the following paragraph accordingly.

Page 9, line 21:

Delete "and"

Page 9, line 24, following "38.05.181":

Insert "; and"

(3) a clause requiring the licensee or lessee to remove all improvements and equipment as provided in AS 38.05.735"

Page 11, following line 23:

Insert a new section to read:

**"Sec. 38.05.735. Removal and restoration after termination.** (a) Upon termination of a license under AS 38.05.705 or 38.05.710 or a lease under

AS 38.05.715, a licensee or lessee shall promptly remove all improvements and equipment, except as otherwise approved in writing by the commissioner, and shall restore the land to a condition that is approved by the commissioner. A licensee or lessee shall

(1) remove buried pipe unless all oil and residue is removed from the pipe and the ends are suitably capped;

(2) use adequately designed and constructed waterbars, revegetation, and chemical surface control to minimize erosion of access roads, material sites, and other areas;

(3) remove culverts and bridges in a manner satisfactory to the commissioner;

(4) leave each cut and fill slope in a stable condition;

(5) dispose of materials from access roads, haul ramps, berms, dikes, and other earthen structures in a manner approved by the commissioner;

(6) dispose of vegetation, overburden, and other materials removed during cleaning operations in a manner approved in writing by the commissioner;

(7) remove all equipment and supplies from the site; and

(8) report all discharges to the commissioner.

(b) A licensee or lessee may, at the option of the licensee or lessee, pay to the department an amount determined by the commissioner to be sufficient to conduct the removal and restoration required under this section."

Page 25, lines 1 - 2:

Delete "equipment and facilities"

Insert "improvements and equipment as provided in AS 38.05.735"

**AMENDMENT #4**

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOSEPHSON

TO: CSHB 50(FIN)

**Conceptual amendment #1 FAILED  
Remove all prohibited areas except  
areas 6, 7, 8**

Page 11, following line 23:

Insert a new section to read:

**"Sec. 38.05.735. Prohibited areas.** A department or other state agency may not issue a carbon storage license or lease in the following areas:

(1) the Susitna Flats State Game Refuge, as described in AS 16.20.036(a);

(2) the Trading Bay State Game Refuge, as described in AS 16.20.038(a);

(3) the Clam Gulch Critical Habitat Area, as described in AS 16.20.595;

(4) the Anchor River and Fritz Creek Critical Habitat Area, as described in AS 16.20.605(a);

(5) the Redoubt Bay Critical Habitat Area, as described in AS 16.20.625(a);

(6) the Kachemak Bay State Park, as described in AS 41.21.131 and 41.21.140(b);

(7) the Kachemak Bay State Wilderness Park, as described in AS 41.21.140(a);

(8) the Captain Cook State Recreation Area, as designated by the governor under AS 41.21.415;

(9) the Kenai River Special Management Area, as described in AS 41.21.502(a); and

(10) the Knik River Public Use Area, as described in AS 41.23.230."

1

2 Page 22, line 10:

3 Delete "and"

4

5 Page 22, line 12, following "commission":

6 Insert "; and

7 (15) that the proposed storage facility is not in an area described in

8 AS 38.05.735"

9

10 Page 29, line 27, through page 30, line 1:

11 Delete all material.

12

13 Renumber the following bill sections accordingly.

14

15 Page 33, line 5:

16 Delete "Section 40"

17 Insert "Section 39"

**AMENDMENT #5**

OFFERED IN THE HOUSE

BY REPRESENTATIVE STAPP

TO: CSHB 50(FIN), Draft Version "R"

1 Page 1, line 5, following "credits;":

2 Insert "allowing certain costs related to carbon capture, carbon utilization, and  
3 carbon storage as lease expenditures for purposes of calculating the oil and gas  
4 production tax;"

5

6 Page 30, following line 13:

7 Insert a new bill section to read:

8 "\* **Sec. 38.** AS 43.55.165(e) is amended to read:

9 (e) For purposes of this section, lease expenditures do not include

10 (1) depreciation, depletion, or amortization;

11 (2) oil or gas royalty payments, production payments, lease profit  
12 shares, or other payments or distributions of a share of oil or gas production, profit, or  
13 revenue, except that a producer's lease expenditures applicable to oil and gas produced  
14 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net  
15 profit paid to the state under that lease;

16 (3) taxes based on or measured by net income;

17 (4) interest or other financing charges or costs of raising equity or debt  
18 capital;

19 (5) acquisition costs for a lease or property or exploration license;

20 (6) costs arising from fraud, wilful misconduct, gross negligence,  
21 violation of law, or failure to comply with an obligation under a lease, permit, or  
22 license issued by the state or federal government;

23 (7) fines or penalties imposed by law;

1                   (8) costs of arbitration, litigation, or other dispute resolution activities  
2 that involve the state or concern the rights or obligations among owners of interests in,  
3 or rights to production from, one or more leases or properties or a unit;

4                   (9) costs incurred in organizing a partnership, joint venture, or other  
5 business entity or arrangement;

6                   (10) amounts paid to indemnify the state; the exclusion provided by  
7 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
8 a third-party insurer or surety;

9                   (11) surcharges levied under AS 43.55.201 or 43.55.300;

10                  (12) an expenditure otherwise deductible under (b) of this section that  
11 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
12 between related parties, or is otherwise not an arm's length transaction, unless the  
13 producer establishes to the satisfaction of the department that the amount of the  
14 expenditure does not exceed the fair market value of the expenditure;

15                  (13) an expenditure incurred to purchase an interest in any corporation,  
16 partnership, limited liability company, business trust, or any other business entity,  
17 whether or not the transaction is treated as an asset sale for federal income tax  
18 purposes;

19                  (14) a tax levied under AS 43.55.011 or 43.55.014;

20                  (15) costs incurred for dismantlement, removal, surrender, or  
21 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
22 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
23 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not  
24 excluded under this paragraph if the dismantlement, removal, surrender, or  
25 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
26 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

27                  (16) costs incurred for containment, control, cleanup, or removal in  
28 connection with any unpermitted release of oil or a hazardous substance and any  
29 liability for damages imposed on the producer or explorer for that unpermitted release;  
30 this paragraph does not apply to the cost of developing and maintaining an oil  
31 discharge prevention and contingency plan under AS 46.04.030;

1 (17) costs incurred to satisfy a work commitment under an exploration  
2 license under AS 38.05.132;

3 (18) that portion of expenditures, that would otherwise be qualified  
4 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that  
5 are less than the product of \$0.30 multiplied by the total taxable production from each  
6 lease or property, in BTU equivalent barrels, during that calendar year, except that,  
7 when a portion of a calendar year is subject to this provision, the expenditures and  
8 volumes shall be prorated within that calendar year;

9 (19) costs incurred for repair, replacement, or deferred maintenance of  
10 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
11 undertaken in response to a failure, problem, or event that results in an unscheduled  
12 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
13 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
14 equipment, other than a well, that is undertaken in response to, or is otherwise  
15 associated with, an unpermitted release of a hazardous substance or of gas; however,  
16 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
17 and (b) of this section may be treated as lease expenditures if the department  
18 determines that the repair or replacement is solely necessitated by an act of war, by an  
19 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
20 inevitable, and irresistible character, the effects of which could not have been  
21 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
22 negligent act or omission of a third party, other than a party or its agents in privity of  
23 contract with, or employed by, the producer or an operator acting for the producer, but  
24 only if the producer or operator, as applicable, exercised due care in operating and  
25 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
26 precautions against the act or omission of the third party and against the consequences  
27 of the act or omission; in this paragraph,

28 (A) "costs incurred for repair, replacement, or deferred  
29 maintenance of a facility, a pipeline, a structure, or equipment" includes costs  
30 to dismantle and remove the facility, pipeline, structure, or equipment that is  
31 being replaced;

(B) "hazardous substance" has the meaning given in AS 46.03.826;

(C) "replacement" includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant, regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

(21) costs of lobbying, public relations, public relations advertising, or policy advocacy;

(22) costs incurred as part of a capital expenditure or other action taken for a carbon management purpose under AS 38.05.081 or a carbon offset project under AS 38.95.400 - 38.95.499;

**(23) costs incurred to construct, acquire, or operate a facility for carbon capture, carbon utilization, or carbon storage; however, a cost incurred under this paragraph that would otherwise constitute a lease expenditure under (a) and (b) of this section may be treated as a lease expenditure if the cost is associated with a facility that uses carbon oxides for enhanced oil or gas recovery; in this paragraph, "carbon capture" does not include gas processing or gas treatment.**

Renumber the following bill sections accordingly.

Page 33, line 5:

Delete "Section 40"

Insert "Section 41"



**AMENDMENT #6**

OFFERED IN THE HOUSE

**By Representative Hannan**

TO: CSHB 50(FIN), Draft Version "R"

Page 1, line 5, following "**credits**";:

Insert "**relating to the oil and gas production tax**";

Page 30, following line 13:

Insert a new bill section to read:

\* **Sec. 38.** AS 43.55.165(e) is amended to read:

(e) For purposes of this section, lease expenditures do not include

(1) depreciation, depletion, or amortization;

(2) oil or gas royalty payments, production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit, or revenue, except that a producer's lease expenditures applicable to oil and gas produced from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net profit paid to the state under that lease;

(3) taxes based on or measured by net income;

(4) interest or other financing charges or costs of raising equity or debt capital;

(5) acquisition costs for a lease or property or exploration license;

(6) costs arising from fraud, wilful misconduct, gross negligence, violation of law, or failure to comply with an obligation under a lease, permit, or license issued by the state or federal government;

(7) fines or penalties imposed by law;

(8) costs of arbitration, litigation, or other dispute resolution activities that involve the state or concern the rights or obligations among owners of interests in,

1 or rights to production from, one or more leases or properties or a unit;

2 (9) costs incurred in organizing a partnership, joint venture, or other  
3 business entity or arrangement;

4 (10) amounts paid to indemnify the state; the exclusion provided by  
5 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
6 a third-party insurer or surety;

7 (11) surcharges levied under AS 43.55.201 or 43.55.300;

8 (12) an expenditure otherwise deductible under (b) of this section that  
9 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
10 between related parties, or is otherwise not an arm's length transaction, unless the  
11 producer establishes to the satisfaction of the department that the amount of the  
12 expenditure does not exceed the fair market value of the expenditure;

13 (13) an expenditure incurred to purchase an interest in any corporation,  
14 partnership, limited liability company, business trust, or any other business entity,  
15 whether or not the transaction is treated as an asset sale for federal income tax  
16 purposes;

17 (14) a tax levied under AS 43.55.011 or 43.55.014;

18 (15) costs incurred for dismantlement, removal, surrender, or  
19 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
20 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
21 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not  
22 excluded under this paragraph if the dismantlement, removal, surrender, or  
23 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
24 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

25 (16) costs incurred for containment, control, cleanup, or removal in  
26 connection with any unpermitted release of oil or a hazardous substance and any  
27 liability for damages imposed on the producer or explorer for that unpermitted release;  
28 this paragraph does not apply to the cost of developing and maintaining an oil  
29 discharge prevention and contingency plan under AS 46.04.030;

30 (17) costs incurred to satisfy a work commitment under an exploration  
31 license under AS 38.05.132;

1                   (18) that portion of expenditures, that would otherwise be qualified  
2 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that  
3 are less than the product of \$0.30 multiplied by the total taxable production from each  
4 lease or property, in BTU equivalent barrels, during that calendar year, except that,  
5 when a portion of a calendar year is subject to this provision, the expenditures and  
6 volumes shall be prorated within that calendar year;

7                   (19) costs incurred for repair, replacement, or deferred maintenance of  
8 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
9 undertaken in response to a failure, problem, or event that results in an unscheduled  
10 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
11 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
12 equipment, other than a well, that is undertaken in response to, or is otherwise  
13 associated with, an unpermitted release of a hazardous substance or of gas; however,  
14 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
15 and (b) of this section may be treated as lease expenditures if the department  
16 determines that the repair or replacement is solely necessitated by an act of war, by an  
17 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
18 inevitable, and irresistible character, the effects of which could not have been  
19 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
20 negligent act or omission of a third party, other than a party or its agents in privity of  
21 contract with, or employed by, the producer or an operator acting for the producer, but  
22 only if the producer or operator, as applicable, exercised due care in operating and  
23 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
24 precautions against the act or omission of the third party and against the consequences  
25 of the act or omission; in this paragraph,

26                   (A) "costs incurred for repair, replacement, or deferred  
27 maintenance of a facility, a pipeline, a structure, or equipment" includes costs  
28 to dismantle and remove the facility, pipeline, structure, or equipment that is  
29 being replaced;

30                   (B) "hazardous substance" has the meaning given in  
31 AS 46.03.826;

(C) "replacement" includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant, regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

(21) costs of lobbying, public relations, public relations advertising, or policy advocacy;

(22) costs incurred as part of a capital expenditure or other action taken for a carbon management purpose under AS 38.05.081 or a carbon offset project under AS 38.95.400 - 38.95.499;

**(23) costs associated with carbon capture or storage, including construction and modification of new or existing infrastructure as well as costs associated with obtaining or operating a license or lease under AS 38.05.700 - 38.05.795.**

Renumber the following bill sections accordingly.

Page 33, line 5:

Delete "Section 40"

Insert "Section 41"