



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

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April 1, 2024

The Honorable Cathy Giessel
Senate Resources Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 427
Juneau, AK 99801

The Honorable Click Bishop
Senate Resources Committee, Co-Chair
Alaska State Legislature
Alaska State Capitol, Room 504
Juneau, Alaska 99801

VIA ELECTRONIC MAIL

RE: SB 49 Response to Committee Member Questions January 26, 2024

Dear Senator Bishop and Senator Giessel:

This letter is in response to committee questions from the Department of Natural Resources SB 49 bill hearing on January 26, 2024 that required additional research.

Senator Bishop asked whether an un-minable coal seam in the Healy area would be affected by Section 12 of the bill.

AS 38.05.140(a) places acreage limitations on the amount of state land a person may have under coal leases or permits. The purpose of section 12 in this bill is to exempt carbon sequestration leases from being counted towards those limitations. Coal is a recognized target for sequestration in some areas because injected CO₂ can be adsorbed into the coal. Generally, the term “un-mineable coal seam” refers to coal beds that are far enough below the land surface to no longer be economic to mine under normal methods. As these areas are not mineable, it does not make sense to apply the acreage limitations that are intended to prevent excessive concentration of ownership of mineable deposits.

Healy has extensive coal resources, with a long history of mining near surface deposits. Some of these seams have been tilted during tectonic uplift of the Alaska Range, which results in the coal strata locally dipping into the deeper subsurface where they might reach a depth where they could be viable targets for sequestering carbon. Usibelli Coal Mine has reportedly considered this option, although since the area does not have well or seismic data, extensive collection of new geologic information would be required to evaluate the suitability of the region for CO₂ storage. In the event a coal operator intended to obtain a license or lease to these areas for sequestration, the intent of the legislation is this would not count against acreage limitations for coal-development focused land rights.

Senator Wielechowski asked how the amendment on the House side set up the carbon storage closure trust fund to be non-sweepable.

The House Resources Committee Substitute to HB 50 amended the proposed AS 37.14.850 with the stated intent to make the proposed Carbon Storage Closure Trust Fund not subject to the “sweep” directed by Article IX Section 17(d) of the Alaska Constitution. The Department of Natural Resources understood that the amendment language was crafted at the recommendation of Legislative Legal. The language specifies that the carbon storage closure trust fund is established as a separate trust fund of the state outside and separate from the general fund.

Senator Wielechowski asked if the Department of Revenue has done any analysis on the corporate tax structure for this bill.

As there is not anticipated to be significant impacts to the corporate income tax, the Department of Revenue has not conducted an analysis on the impact of the bill on the corporate tax structure. As discussed in committee, an amendment was introduced to the House companion legislation (CSHB 50(FIN)) to decouple the state corporate tax structure from the federally enacted 45Q tax credit program. The administration was supportive of this amendment.

Senator Wielechowski asked what the Kenai River special river management area includes and what the bounds of this area are.

The Kenai River Special Management Area (KRSMA) includes surface estate in the land and water presently owned by the state, including shore, tide, and submerged land on the Kenai River, Moose River, and Funny River. This includes over 105 miles of rivers and lakes and includes 16 adjacent Division of Parks and Outdoor Recreation managed park units as designated in statute AS 41.21.502. KRSMA was established by the legislature in 1984 under Article VIII, Section 7 of the Alaska Constitution. The lands were removed from the public domain to provide for their administration and preservation for the use, enjoyment, and welfare of the people.

This area is referenced in the bill due to the Department’s intent to manage this area for CCUS in a consistent fashion with its management for oil and gas activity – specifically to allow subsurface leasing consistent with AS 41.21.502(c).

Thank you for the opportunity to present SB 49 to the committee and to reply with additional follow-up.

Sincerely,



Joe Byrnes
Legislative Liaison, Department of Natural Resources

CC: Laura Stidolph, Director, Governor’s Legislative Office