

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version: HB 50
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB050CS(RES)-DCCED-AOGCC-04-24-23
Title: CARBON STORAGE
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (H) Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Oil and Gas Conservation Commission
Allocation: Alaska Oil and Gas Conservation Commission
OMB Component Number: 3269

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

| | FY2024 Appropriation Requested | Included in Governor's FY2024 Request | Out-Year Cost Estimates | | | | |
|------------------------|--------------------------------------|--|-------------------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES | FY 2024 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Personal Services | 388.0 | | 388.0 | | | | |
| Travel | | | | | | | |
| Services | 650.0 | | 650.0 | 988.0 | 988.0 | 988.0 | 988.0 |
| Commodities | 20.0 | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 1,058.0 | 0.0 | 1,038.0 | 988.0 | 988.0 | 988.0 | 988.0 |

Fund Source (Operating Only)

| | | | | | | | |
|---------------------|----------------|------------|----------------|--------------|--------------|--------------|--------------|
| 1004 Gen Fund (UGF) | 1,058.0 | | | | | | |
| 1252 DGF Temp (DGF) | | | 1,038.0 | 988.0 | 988.0 | 988.0 | 988.0 |
| Total | 1,058.0 | 0.0 | 1,038.0 | 988.0 | 988.0 | 988.0 | 988.0 |

Positions

| | | | | | | | |
|-----------|-----|--|-----|-------|--|--|--|
| Full-time | 2.0 | | 2.0 | (2.0) | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|---------------------|------------|------------|----------------|--------------|--------------|--------------|--------------|
| 1252 DGF Temp (DGF) | *** | | 1,038.0 | 988.0 | 988.0 | 988.0 | 988.0 |
| Total | *** | 0.0 | 1,038.0 | 988.0 | 988.0 | 988.0 | 988.0 |

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2024) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? Yes
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/23

Why this fiscal note differs from previous version/comments:

Corrects the fiscal note to reflect the Carbon Storage Facility Administrative Fund, not the Carbon Storage Closure Trust Fund, is the fund source for regulating the program.

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Approved By: Hannah Lager, Administrative Services Director
Agency: Commerce, Community, and Economic Development
Phone: (907)793-1223
Date: 04/24/2023
Date: 04/25/23

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

BILL NO. CS HB050(RES)

Analysis

This bill draft expands existing authority and responsibilities of the Alaska Oil and Gas Conservation Commission (AOGCC) to create a regulatory structure for carbon capture, utilization, and storage (CCUS) in Alaska. This bill grants AOGCC authority to pursue primacy from the U.S. Environmental Protection Agency (EPA) over Class VI wells needed for CCUS injection, and amends the general property laws of Alaska to clarify pore space ownership for private parties. The bill also creates a carbon storage closure trust fund to pay for post-closure maintenance and monitoring of carbon dioxide storage facilities by the state, and establishes AOGCC's regulatory authority over carbon dioxide injection and storage facilities.

If the bill passes the following expenses will be incurred:

Personal Services: \$388.0 per year in FY2024 and FY2025 for one fully-exempt Senior Carbon Engineer (R26) and one fully-exempt Carbon Assistant (R18)

Services: \$50.0 in FY2024 and FY2025 for statewide and department allocated core services costs
\$300.0 for legal support through the Department of Law
\$300.0 per year for other contractual services, which may include contracted expertise for project development
\$388.0 starting in FY2026 for additional contractual support for permit management support and program administration

Commodities: \$20.0 in FY2024 only for setup costs for new employees

FY2024-FY2025 will mainly be focused on obtaining primacy. The general fund expenditures for these years may be offset by potential grant receipts through the EPA Class VI Grant Program. In order to accept these federal funds, AOGCC will need language allowing collection of federal receipts as they become available.

The volume of permit applications and program activity beginning in FY2026 is not known at this time. AOGCC anticipates that program management and administration may to be accomplished through either contractual support or AOGCC staff. In this fiscal note, costs for permit support are included in the services line from FY2026-FY2029.

This legislation also creates the Carbon Storage Facility Administrative Fund (CSFAF). The amount and timing of revenue to support operations is not yet known. In the first year's operations are funded from general funds. Revenues collected in the CSFAF will be used to support the costs of regulating the program incurred by the AOGCC starting in year 2. The amount of revenue to be collected in the fund is not known at this time but is anticipated to be sufficient to support annual operations. Revenue collections are shown in this note as equal to expenditures beginning in FY2025.

Regulations in support of the program will be required.