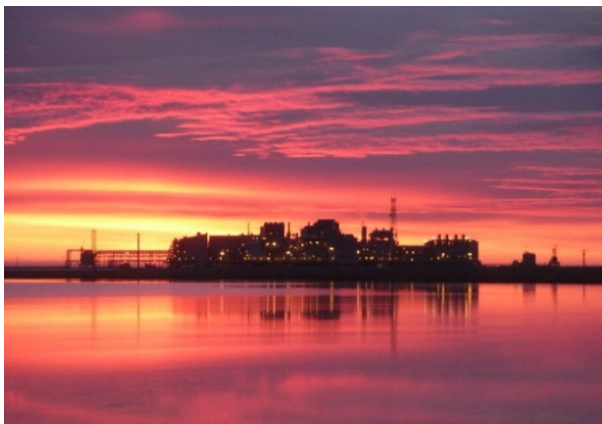


# House Bill 49: Fiscal Picture

## House Finance Committee



Presented by Rena Miller, Special Assistant  
Office of the Commissioner  
Alaska Department of Natural Resources (DNR)  
May 3, 2023



# Review: Two distinct paths under HB 49



State leases land to third party for a carbon purpose = '**Carbon Leases**'  
(HB 49 sections 3-5)



State undertakes carbon offset projects on state land = '**State Projects**'  
(HB 49 sections 1-2, 6-13)

Different costs, revenues under each path



# Path 1: Carbon Leases

# Path 1: Carbon leases



## Costs:

- Promulgate regulations; receive, process applications. Monitor leases, ensure conditions met
  - 1 full-time, permanent position (total \$151.9 in FY24, \$141.9 in FY25 onward; Unrestricted General Fund (UGF) until leasing revenue sufficient to cover costs)
  - Will seek to fill out staffing based on program demand through annual legislative budget process

## Revenue:

- Indeterminate in amount, timing. Driven by private sector demand, project value, area of lands leased.

# Path 1: Carbon leases



- Because timber rights aren't conveyed with the lease, projects may focus more on niche or capital-intensive projects
- Hypothetical examples:
  - Company leases 10,000 acres of state land for 55 years, invests capital to plant trees/regenerate forest. May be 20+ years before project generates credits. State gets annual fee for land lease, percentage of carbon revenue once generating credits.
  - Kelp farm overlays carbon offset project to help kelp production economics; state gets annual fee for land lease, some percentage of carbon revenue.



# Path 2: State Projects

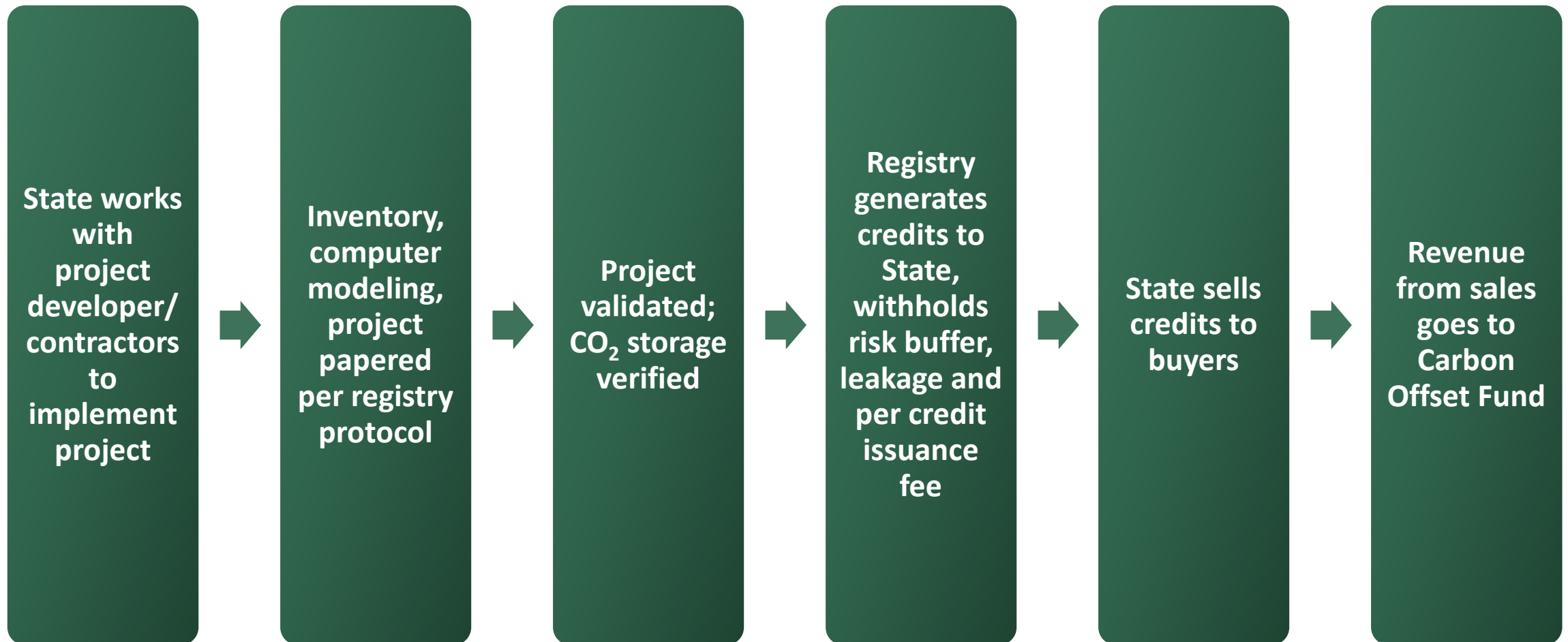
# Path 2: State Projects - Review



## Review:

- HB 49, section 6, stands up 'Carbon Offset Program' for state to undertake its own carbon offset projects
- State is project proponent – 'owns' the project
- State may work with a partner (project developer)
- Costs to start up, manage project over term
- Project generates credits for carbon stored on landscape
- State sells credits to buyers, generates revenue

# Path 2: State Projects - Review





# Path 2: State Projects - costs



- Fixed program costs regardless of number of projects
  - New Carbon Offset Program housed under existing Office of Project Management and Permitting (OPMP); 2 full-time, permanent positions (\$192.4 in FY24; \$367.8 in FY25; \$309.8 in FY26 onward, UGF until revenues sufficient to replace UGF)
  - Supported by Division of Forestry and Fire Protection (DOF); 1 full-time, permanent position (total \$147.3 in FY24; \$137.3 in FY 25 onward, UGF until revenues sufficient to replace UGF)
  - Initial capital to OPMP to establish framework, retain expertise (\$425.0 UGF in FY24 only)
- Project-dependent costs
  - Project feasibility analysis, implementation, ongoing project maintenance (inventories, modeling, audits)

# Path 2: State Projects



## Project-dependent costs, cont.

- Variety of ways for state to approach projects
  - State use state staff, funds
  - State contract with project developer(s), service providers
- Project developer(s) offer range of terms, services
  - ‘Turnkey’ – developer fronts project costs; receives fixed share of revenue once project generates credits
  - ‘Ala carte’ – one or more companies are contracted in fee-for-services approach to perform specific project tasks (inventory, marketing, etc.)

# Path 2: State Projects - Scenarios



- Scenarios feature potential pilot projects identified by Anew
- Not conclusive view of State's carbon offset potential – DNR anticipates additional opportunities
- DNR may or may not proceed with pilots, as described in Anew report, if HB 49 passes
- State Forests are likely primary objectives due to high carbon storage potential
- Revenue dependent on number, timing, size of projects; verifiable carbon stored; credit price; marketing success. On credit sale, revenue flows to Carbon Offset Fund



# Path 2: State Projects – 1-project scenario

## Haines State Forest and Resource Management Area - as described in Anew report

Please note, the individual Haines and SE analyses results differ slightly from the combined effort due to the incorporation of additional data following the initial combined analysis.

Date	Total Credits (pre- leakage and buffer)	Leakage Credits (30%)	Buffer Credits (18%)	Conservation Credits	Removals Credits	Conservation Credit Price (dollars)	Removal Credit Price (dollars)	Gross Project Revenue (dollars)	Project Expense (dollars)	Net Project Revenue (dollars)	Developer Share (20%) *if any (dollars)	DNR Program Costs (dollars)	Net State Revenue (dollars)
2023	157,000	-47,000	-19,000	41,000	50,000	15.00	25.00	1,865,000	(376,920)	1,488,080	(297,616)	(447,100)	743,364
2024	157,000	-47,000	-19,000	41,000	50,000	16.00	26.00	1,956,000	(28,470)	1,927,530	(385,506)	(447,100)	1,094,924
2025	157,000	-47,000	-19,000	41,000	50,000	17.00	27.00	2,047,000	(28,470)	2,018,530	(403,706)	(447,100)	1,167,724
2026	157,000	-47,000	-19,000	41,000	50,000	18.00	28.00	2,138,000	(28,470)	2,109,530	(421,906)	(447,100)	1,240,524
2027	157,000	-47,000	-19,000	41,000	50,000	19.00	29.00	2,229,000	(28,470)	2,200,530	(440,106)	(447,100)	1,313,324
2028	157,000	-47,000	-19,000	41,000	50,000	20.00	30.00	2,320,000	(165,970)	2,154,030	(430,806)	(447,100)	1,276,124
2029	157,000	-47,000	-19,000	41,000	50,000	21.00	31.00	2,411,000	(28,470)	2,382,530	(476,506)	(447,100)	1,458,924
2030	119,000	-34,000	-19,000	16,000	50,000	22.00	32.00	1,952,000	(24,220)	1,927,780	(385,556)	(447,100)	1,095,124
2031	90,000	-26,000	-14,000	0	50,000	23.00	33.00	1,650,000	(21,500)	1,628,500	(325,700)	(447,100)	855,700
2032	85,000	-25,000	-11,000	0	49,000	24.00	34.00	1,666,000	(21,330)	1,644,670	(328,934)	(447,100)	868,636
<b>TOTAL</b>	<b>1,393,000</b>	<b>-414,000</b>	<b>-177,000</b>	<b>303,000</b>	<b>499,000</b>	<b>19.50</b>	<b>29.50</b>	<b>20,234,000</b>	<b>(752,290)</b>	<b>19,481,710</b>	<b>(3,896,342)</b>	<b>(4,471,000)</b>	<b>11,114,368</b>
2033-2062	2,185,000	-653,000	-274,000	0	1,258,000	25.00	34.00	42,772,000	(1,864,000)	40,908,000	(8,181,600)	(13,413,000)	19,313,400
<b>TOTAL</b>	<b>3,578,000</b>	<b>-1,067,000</b>	<b>-451,000</b>	<b>303,000</b>	<b>1,757,000</b>	<b>n/a</b>	<b>n/a</b>	<b>63,006,000</b>	<b>(2,616,290)</b>	<b>60,389,710</b>	<b>(12,077,942)</b>	<b>(17,884,000)</b>	<b>30,427,768</b>

- Shows potential share to project developer contracted on commission-type basis. Other contractual frameworks may apply instead.
- Includes \$309,800 per FY for 2 positions at OPMP and \$137,300 per FY for 1 position at DOF; does not include one-time costs related to adding new positions; does not include potential commercial and legal expertise costs (requesting one-time capital of \$250,000 for expertise)

# Path 2: State Projects – 3-project scenario



Date	Total Credits (pre- leakage and buffer)	Leakage Credits (30%)	Buffer Credits (18%)	Conservation Credits	Removals Credits	Conservation Credit Price (dollars)	Removal Credit Price (dollars)	Gross Project Revenue (dollars)	Project Expense (dollars)	Net Project Revenue (dollars)	Developer Share (20%) * if any (dollars)	DNR Program Costs (dollars)	Net State Revenue (dollars)
2023	443,000	-126,000	-56,000	41,000	220,000	15.00	25.00	6,115,000	(1,128,920)	4,986,080	(997,216)	(447,100)	3,541,764
2024	443,000	-126,000	-56,000	41,000	220,000	16.00	26.00	6,376,000	(83,470)	6,292,530	(1,258,506)	(447,100)	4,586,924
2025	443,000	-126,000	-56,000	41,000	220,000	17.00	27.00	6,637,000	(83,470)	6,553,530	(1,310,706)	(447,100)	4,795,724
2026	443,000	-126,000	-56,000	41,000	220,000	18.00	28.00	6,898,000	(83,470)	6,814,530	(1,362,906)	(447,100)	5,004,524
2027	443,000	-126,000	-56,000	41,000	220,000	19.00	29.00	7,159,000	(83,470)	7,075,530	(1,415,106)	(447,100)	5,213,324
2028	443,000	-126,000	-56,000	41,000	220,000	20.00	30.00	7,420,000	(495,970)	6,924,030	(1,384,806)	(447,100)	5,092,124
2029	443,000	-126,000	-56,000	41,000	220,000	21.00	31.00	7,681,000	(83,470)	7,597,530	(1,519,506)	(447,100)	5,630,924
2030	405,000	-113,000	-56,000	16,000	220,000	22.00	32.00	7,392,000	(79,220)	7,312,780	(1,462,556)	(447,100)	5,403,124
2031	376,000	-105,000	-51,000	0	220,000	23.00	33.00	7,260,000	(76,500)	7,183,500	(1,436,700)	(447,100)	5,299,700
2032	371,000	-104,000	-48,000	0	219,000	24.00	34.00	7,446,000	(76,330)	7,369,670	(1,473,934)	(447,100)	5,448,636
<b>TOTAL</b>	<b>4,253,000</b>	<b>-1,204,000</b>	<b>-547,000</b>	<b>303,000</b>	<b>2,199,000</b>	<b>19.50</b>	<b>29.50</b>	<b>70,384,000</b>	<b>(2,274,290)</b>	<b>68,109,710</b>	<b>(13,621,942)</b>	<b>(4,471,000)</b>	<b>50,016,768</b>
2033-2062	10,239,000	-2,876,000	-1,324,000	0	6,039,000	25.00	34.00	205,326,000	(5,977,000)	199,349,000	(39,869,800)	(13,413,000)	146,066,200
<b>TOTAL</b>	<b>14,492,000</b>	<b>-4,080,000</b>	<b>-1,871,000</b>	<b>303,000</b>	<b>8,238,000</b>	n/a	n/a	<b>275,710,000</b>	<b>(8,251,290)</b>	<b>267,458,710</b>	<b>(53,491,742)</b>	<b>(17,884,000)</b>	<b>196,082,968</b>

- Shows potential share to project developer contracted on commission-type basis. Other contractual frameworks may apply instead.
- Includes \$309,800 per FY for 2 positions at OPMP and \$137,300 per FY for 1 position at DOF; does not include one-time costs related to adding new positions; does not include potential commercial and legal expertise costs (requesting one-time capital of \$250,000 for expertise)

# Path 2: Carbon Offset Revenue Fund



HB 49 version \U:

- Fund is outside general fund (GF)
- Revenue automatically flows into fund – “shall” be deposited
- Legislative appropriation required for DNR fund use
- Used for purposes of Carbon Offset Program
- Unobligated amount over \$10M returns to GF annually

# Path 2: Carbon Offset Revenue Fund



- Pay project bills if any
- Required project maintenance
  - Will vary on registry, protocol, project design
  - Examples: recurring inventories, audits
  - Other project-specific costs
- Initiate new carbon offset projects
  - Feasibility, start-up, implementation costs





# Thank you



Joe Byrnes, Legislative Liaison  
Department of Natural Resources  
(907) 465-4730  
[Joe.Byrnes@alaska.gov](mailto:Joe.Byrnes@alaska.gov)

