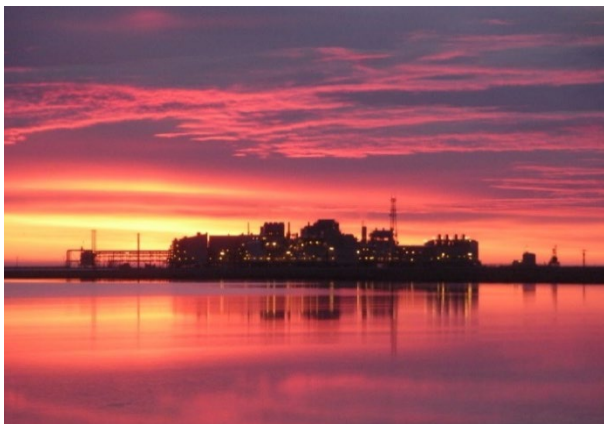


Senate Bill 48: Summary of Changes / Sectional Analysis

House Finance Committee



Presented by Rena Miller, Special Assistant
Alaska Department of Natural Resources (DNR)
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Carbon Offsets – Benefits to Alaska



- New source of State revenue
- Compatible with existing land and resource use
- Positive environmental impact
- Incentivizes active forest management and rebuilding State's timber stock
- Supports the general State economy
- 'Maximum use' per Alaska Constitution
- Does not:
 - 'lock up land'
 - institute emission limits/ cap and trade rules for Alaska businesses



Setting the Stage



- Governor Dunleavy introduced HB49, SB48 'Carbon Offset Program on State Land'
- House Resources Committee heard HB49 six times, amended
- House Finance Committee heard HB49 five times
- Senate Resources Committee heard SB48 four times, amended
- Senate Finance Committee heard SB48 five times, amended

This presentation: walk through SB48 and indicate changes compared with CS for HB49(RES) version \U

Compare SB48 with HB49 \U



| SB48 Section | Page | Content |
|--------------|------|--|
| Title | 1 | Revised to reflect amendments: added 'relating to the powers and duties of the Alaska Oil and Gas Conservation Commission' (see Sec. 1); and 'relating to oil and gas lease expenditures' (see Sec. 16) |
| Sec. 1 | 1 | New; was Sec. 3 in HB50 – Carbon Storage. Sec. 1 provides the Alaska Oil and Gas Conservation Commission the authority to acquire primary enforcement responsibility for Class VI wells from the Environmental Protection Agency; Class VI wells are used to inject carbon dioxide into deep rock formations |
| Sec. 2 | 2 | Formerly Sec. 1. Full exemption from the state procurement code was amended to exempt only contracts with registries |
| Sec. 3 | 2 | Formerly Sec. 2; no change. Allows revenue from carbon offset credit sales to be treated as designated program receipts |

Compare SB48 with HB49 \U



| Section | Page | Content |
|---------|------|--|
| Sec. 4 | 2 | Formerly Sec. 3; no change. Conforming to Sec. 5 / carbon management purpose lease program |
| Sec. 5 | 3 | Formerly Sec. 4. Carbon management purpose lease program. Added: <ul style="list-style-type: none">• DNR must solicit competitive interest on receiving an application• DNR to weigh revenue to state in case of competing leases• Leases must include performance benchmarks and will be terminated if failure to meet• In Best Interest Finding, DNR must consider impacts on mining, timber and other resource development; the known mineral potential in the area; and value to the state• State land will remain open to other resource development• Annual report to Legislature |
| Sec. 6 | 6 | Formerly Sec. 5; no change. Conforming to Sec. 5. |

Compare SB48 with HB49 \U



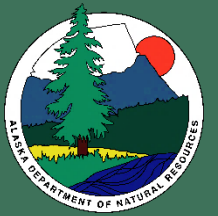
| Section | Page | Content |
|---------|------|---|
| Sec. 7 | 6 | New; conforming to Sec. 5 requirement to solicit competitive interest |
| Sec. 8 | 7 | <p>Formerly Sec. 6; establishes Carbon Offset Program at DNR. Added:</p> <ul style="list-style-type: none">• Additional criteria to evaluate in a Best Interest Finding, including impacts to other resource development sectors; assessment of mineral potential in area; and potential revenue to the state• State land to remain open to other resource development• Removal of new fund; credit sale revenue will go to general fund• Ability for DNR when considering contracts under the procurement code to evaluate revenue and value to the state• Prohibition against contract commissions over 30%• Annual report to the Legislature• Revisions to definitions section to reflect the evolving nature of the carbon offsets industry and ensure statute durability |

Compare SB48 with HB49 \U



| Section | Page | Provision |
|-------------|-------|--|
| Secs. 9-11 | 12 | Formerly Secs. 7-9; no change. Allows state carbon offset projects in Haines State Forest and Resource Management Area |
| Secs. 12-15 | 12-13 | Formerly Secs. 10-13; no change. Allows state carbon offset projects in State Forests |
| Sec. 16 | 14 | New; disallows carbon lease/project costs as oil and gas lease expenditures |
| Sec. 17 | 17 | Formerly Sec. 14; no change. Effective date |
| *** | *** | Throughout bill, technical/clean-up revisions |

Thank you



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