

## HB 50 – CCUS

### Changes Requested to BW Amendment re Cook Inlet AIDEA Loan Program

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5/23/24

#### FOR CONCEPTUAL AMENDMENT

These changes are based on input from AIDEA, DNR, DOR, and the Governor's Office/LAW. They were submitted to Legal for drafting on 5/2/24 8:53 PM. In the event that the amendment does not get drafted in time for introduction in SRES 5/3/24, Work Order #33-GS238\A.12 plus the following requested changes may be used as a conceptual amendment.

#### Conceptual Amendment re AIDEA Loan Program (formerly drafted to A.12 to SB 194 Version A)

1. Page 1, line 13, replace “is” with “constitutes”
2. Page 1, lines 17-20 explains what AIDEA “may” accept as a term when agreeing to a loan. We need to add that:
  - The authority may also accept an overriding royalty interest in the lease for which the loan is authorized.
  - As a term of the loan, the overriding royalty interest is subject to prior approval by the Department of Natural Resources.
  - The authority may elect to have the interest transferred to the authority only in the event of the borrower's default.
3. Page 2, line 3, following “provide” insert “reasonable”
4. Page 2, line 6, following “provide” insert “reasonable”
5. Page 2, line 22, following “only to a legal entity” insert “in compliance with state and federal laws;”
6. Page 2, line 23, insert another subsection that says in essence:

“if the loan applicant provides a written waiver permitting the authority to access or obtain copies of the loan applicant's confidential records in possession of the Department of Natural Resources and the Department of Revenue; information provided to the authority under this section shall be kept confidential by the authority unless disclosure is authorized by the loan applicant or borrower”
7. Page 3, lines 7-9: Delete all material on citizen lawsuits.

8. Page 3, line 11 following “projects that” insert “the authority believes”
9. Page 3, line 11 after “have the” insert “reasonable [potential]”
10. Page 3, lines 26 to page 4, lines 7 regarding reporting to the legislature:

- Page 3, line 26, before “Each year” add:

“Notwithstanding that information may be confidential under AS 44.88.215 (AIDEA confidential records), AS 44.88.850(X) (the provision under item #6 above concerning records obtained from DNR and DOR), or any other law, a borrower’s information shall be subject to the public reporting requirements under this section.

- Page 4, line 3: Add the date the loan was approved.
- Page 4, line 8: Add that the report must include the status of payoff of the loan or whether the loan is or was ever in default.

**AMENDMENT**

OFFERED IN THE SENATE  
TO: SB 194

BY SENATOR WIELECHOWSKI

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

2 Insert "**relating to state loans for oil and gas development projects in the Cook**  
3 **Inlet sedimentary basin; relating to the Alaska Industrial Development and Export**  
4 **Authority; requiring the Alaska Industrial Development and Export Authority to make**  
5 **certain reports to the legislature; relating to the duties of the Regulatory Commission of**  
6 **Alaska, the Department of Revenue, and the Department of Natural Resources;**"

7

8 Page 8, following line 26:

9 Insert new bill sections to read:

10 **\*\* Sec. 2.** AS 42.05.141 is amended by adding a new subsection to read:

11 (g) The commission shall, as required under AS 44.88.850(b), determine  
12 whether the sale price in a gas sales agreement for gas produced through a project  
13 partially or fully funded by a loan under AS 44.88.850 is a just and reasonable  
14 immediate delivery price for gas.

15 **\* Sec. 3.** AS 44.25.020 is amended to read:

16 **Sec. 44.25.020. Duties of department.** The Department of Revenue shall

17 (1) enforce the tax laws of the state;

18 (2) collect, account for, have custody of, invest, and manage all state  
19 funds and all revenues of the state except revenues incidental to a program of licensing  
20 and regulation carried on by another state department, funds managed and invested by  
21 the Alaska Retirement Management Board, and as otherwise provided by law;

22 (3) invest and manage the balance of the power development fund in  
23 accordance with AS 44.83.386;

1 (4) administer the surety bond program for licensure as a fish  
2 processor or primary fish buyer;

3 **(5) provide assistance to the Alaska Industrial Development and**  
4 **Export Authority under AS 44.88.850(c).**

5 \* **Sec. 4.** AS 44.37.020 is amended by adding a new subsection to read:

6 (d) The Department of Natural Resources shall provide assistance to the  
7 Alaska Industrial Development and Export Authority under AS 44.88.850(c).

8 \* **Sec. 5.** AS 44.88 is amended by adding new sections to read:

9 **Article 10A. Cook Inlet Reserve-Based Lending.**

10 **Sec. 44.88.850. Cook Inlet reserve-based lending account.** (a) The Cook  
11 Inlet reserve-based lending account is established in the revolving fund. The account  
12 consists of money or assets deposited into the account by the authority and  
13 contributions from other sources.

14 (b) The authority may use money in the account to make one or more reserve-  
15 based loans to fund oil and gas development projects the authority considers necessary  
16 to increase oil and gas production from the Cook Inlet sedimentary basin. The  
17 authority may, as a term of the loan, accept an ownership share in the project funded  
18 by the loan. If the authority accepts an ownership share as a term of the loan, the  
19 ownership share must be in the form of a carried interest that does not obligate the  
20 authority to contribute to the development costs of the project. The authority may  
21 make a loan under this section only

22 (1) to a legal entity;

23 (2) if the authority obtains an independent study performed by an  
24 experienced, qualified expert that confirms the valuation of the loan security and the  
25 capacity of the loan to support the oil and gas development project and to cause or  
26 increase the commercial production of oil or gas from the Cook Inlet sedimentary  
27 basin;

28 (3) if the Regulatory Commission of Alaska determines, under  
29 AS 42.05.141(g), that the sale price in a gas sales agreement for gas produced through  
30 a project partially or fully funded by a loan under this section does not exceed a just  
31 and reasonable immediate delivery price for gas;

1 (4) if the authority determines that the sales price for oil and gas  
2 produced through a project partially or fully funded by a loan under this section is  
3 reasonable and in the best interests of residents of the state.

4 (c) The authority may request assistance from the Department of Revenue  
5 under AS 44.25.020(a)(5) or the Department of Natural Resources under  
6 AS 44.37.020(d) to execute this section.

7 (d) A citizen of the state may bring a civil action against the authority or the  
8 state for an alleged failure to perform an act or duty under this section that is not  
9 discretionary.

10 **Sec. 44.88.855. Cook Inlet oil and gas development projects; report.** (a)  
11 The authority shall evaluate oil and gas development projects that have the potential to  
12 increase oil and gas production from the Cook Inlet sedimentary basin. Each year, the  
13 authority shall prepare a report related to those oil and gas development projects and  
14 shall, by the first day of each regular session of the legislature, deliver the report to the  
15 senate secretary and the chief clerk of the house of representatives and notify the  
16 legislature that the report is available. At the request of a legislative committee, a  
17 representative of the authority shall appear in that committee to review the report. For  
18 each oil and gas development project, the report must include

19 (1) a cost estimate for the project;

20 (2) the potential recoverable gas from the project;

21 (3) the projected rate of return for the project;

22 (4) if the authority recommends a reserve-based loan for the project,  
23 the amount of funds necessary for deposit into the Cook Inlet reserve-based lending  
24 account to provide a loan for the project and the recommended source of funds for the  
25 deposit.

26 (b) Each year, the authority shall prepare a report related to Cook Inlet  
27 reserve-based loans made under AS 44.88.850 and shall, by the first day of each  
28 regular session of the legislature, deliver the report to the senate secretary and the  
29 chief clerk of the house of representatives and notify the legislature that the report is  
30 available. At the request of a legislative committee, a representative of the authority  
31 shall appear in that committee to review the report. The report must

- 1 (1) identify each entity borrowing funds under AS 44.88.850;
- 2 (2) list the amount borrowed by each borrower;
- 3 (3) include a summary of the terms of the lending agreement with each
- 4 borrower;
- 5 (4) summarize each project for which a loan was made, including the
- 6 status of the project and the volume of oil and gas produced and expected to be
- 7 produced from the project.

8 \* **Sec. 6.** AS 44.88.900 is amended by adding new paragraphs to read:

9 (20) "oil and gas development project" means a development project to

10 produce proven oil or gas reserves;

11 (21) "reserve-based loan" means a loan made against and fully secured

12 by an oil and gas field, proven undeveloped or developed oil and gas reserves, or other

13 assets of the entity receiving the loan."

14

15 Renumber the following bill sections accordingly.