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Dunmire  
5/10/24

**SENATE CS FOR CS FOR HOUSE BILL NO. 50(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to carbon storage on state land; relating to the powers and duties of the**  
2 **Alaska Oil and Gas Conservation Commission; relating to deposits into the permanent**  
3 **fund; establishing the carbon storage closure trust fund and carbon dioxide storage**  
4 **facility administrative fund; relating to carbon storage exploration licenses; relating to**  
5 **carbon storage leases; relating to carbon storage operator permits; relating to enhanced**  
6 **oil or gas recovery; relating to long-term monitoring and maintenance of storage**  
7 **facilities; relating to carbon oxide sequestration tax credits; relating to the Regulatory**  
8 **Commission of Alaska and regulation of the service of natural gas storage; relating to**  
9 **the regulation of liquefied natural gas import facilities; relating to the oil and gas**  
10 **production tax; relating to the duties of the Department of Natural Resources; relating**  
11 **to carbon dioxide pipelines; relating to an audit of carbon storage leases conducted by**  
12 **the legislative audit division; and providing for an effective date."**

1 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

2 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
3 to read:

4 SHORT TITLE. This Act may be known as the Carbon Capture, Utilization, and  
5 Storage Act.

6 \* **Sec. 2.** AS 31.05.027 is amended to read:

7 **Sec. 31.05.027. Land subject to commission's authority.** The authority of the  
8 commission applies to all land in the state lawfully subject to its police powers,  
9 including land of the United States and land subject to the jurisdiction of the United  
10 States. The authority of the commission further applies to all land included in a  
11 voluntary cooperative or unit plan of development or operation entered into in  
12 accordance with AS 38.05.180(p) or 38.05.725.

13 \* **Sec. 3.** AS 31.05.030(m) is amended to read:

14 (m) The commission has jurisdiction and authority over all persons and  
15 property, public and private, necessary to carry out the purposes and intent of  
16 AS 41.06, except for provisions in AS 41.06.005 - 41.06.060 and 41.06.305  
17 [AS 41.06] for which the Department of Natural Resources has jurisdiction.

18 \* **Sec. 4.** AS 37.05.146(c) is amended by adding new paragraphs to read:

19 (86) carbon dioxide storage facility administrative fund  
20 (AS 41.06.160);

21 (87) carbon storage closure trust fund (AS 37.14.850).

22 \* **Sec. 5.** AS 37.13.010(a) is amended to read:

23 (a) Under art. IX, sec. 15, of the state constitution, there is established as a  
24 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

25 (1) 25 percent of all mineral lease rentals, royalties, royalty sale  
26 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue  
27 sharing payments received by the state from mineral leases issued on or before  
28 December 1, 1979, and 25 percent of all bonuses received by the state from mineral  
29 leases issued on or before February 15, 1980;

30 (2) 50 percent of all mineral lease rentals, royalties, royalty sale  
31 proceeds, net profit shares under AS 38.05.180(f) and (g), carbon storage injection

1 **royalties required under AS 38.05.705(c)(3)(B)**, and federal mineral revenue sharing  
2 payments received by the state from mineral leases issued after December 1, 1979, and  
3 50 percent of all bonuses received by the state from mineral leases issued after  
4 February 15, 1980; and

5 (3) any other money appropriated to or otherwise allocated by law or  
6 former law to the Alaska permanent fund.

7 \* **Sec. 6.** AS 37.14 is amended by adding a new section to read:

8 **Article 11. Carbon Storage Closure Trust Fund.**

9 **Sec. 37.14.850. Carbon storage closure trust fund.** (a) The carbon storage  
10 closure trust fund is established as a separate trust fund of the state outside and  
11 separate from the general fund. The legislature may appropriate the principal and  
12 earnings of the fund for the purpose of protecting the public interest in maintaining  
13 and closing carbon storage facilities in the state. Money in the fund does not lapse.

14 (b) The carbon storage closure trust fund consists of payments received under  
15 AS 41.06.175 and earnings on the fund. The payments received for each storage  
16 facility shall be separately accounted for under AS 37.05.142. The commissioner of  
17 revenue is a fiduciary of the fund. The commissioner of revenue shall manage and  
18 invest the fund assets as provided in AS 37.10.071.

19 (c) The commissioner of natural resources may make expenditures from the  
20 carbon storage closure trust fund for the purpose of conducting long-term monitoring  
21 and maintenance of a storage facility under AS 41.06.305. If a storage operator is  
22 unable to fulfill the storage operator's duties and the financial assurance provided by  
23 the storage operator under AS 41.06.110(c)(2) is exhausted or insufficient, the Alaska  
24 Oil and Gas Conservation Commission may make expenditures from the fund for the  
25 purposes allowed under AS 41.06.105 - 41.06.210.

26 (d) Nothing in this section creates a dedicated fund.

27 (e) In this section,

28 (1) "fund" means the carbon storage closure trust fund;

29 (2) "storage facility" and "storage operator" have the meanings given  
30 in AS 41.06.210.

31 \* **Sec. 7.** AS 38.05.069(e) is amended to read:

1 (e) Nothing in (c) of this section affects the disposal of minerals under  
2 AS 38.05.135 - 38.05.183 or carbon storage under AS 38.05.700 - 38.05.795.

3 \* **Sec. 8.** AS 38.05.070(a) is amended to read:

4 (a) Land, including tide, submerged, or shoreland, to which the state holds title  
5 or to which the state [IT] may become entitled, may be leased, except for the  
6 extraction of natural resources and for carbon storage under AS 38.05.700 -  
7 38.05.795, in the manner provided in AS 38.05.070 - 38.05.105.

8 \* **Sec. 9.** AS 38.05.130 is amended to read:

9 **Sec. 38.05.130. Damages and posting of bond.** Rights may not be exercised  
10 by the state, its lessees, successors, or assigns under the reservation as set out in  
11 AS 38.05.125 until the state, its lessees, successors, or assigns make provision to pay  
12 the owner of the land full payment for all damages sustained by the owner, by reason  
13 of entering onto [UPON] the land. If the owner for any cause refuses or neglects to  
14 settle the damages, the state, its lessees, successors, assigns, or an applicant for a lease  
15 or contract from the state for the purpose of prospecting for valuable minerals, or  
16 option, contract, or lease for carbon storage or mining coal or a lease for extracting  
17 geothermal resources, petroleum, or natural gas, may enter onto [UPON] the land in  
18 the exercise of the reserved rights after posting a surety bond determined by the  
19 director, after notice and an opportunity to be heard, to be sufficient as to form,  
20 amount, and security to secure to the owner payment for damages, and may institute  
21 legal proceedings in a court where the land is located, as may be necessary to  
22 determine the damages that [WHICH] the owner may suffer.

23 \* **Sec. 10.** AS 38.05.135(a) is amended to read:

24 (a) Except as otherwise provided, valuable mineral deposits in land belonging  
25 to the state shall be open to exploration, development, and the extraction of minerals.  
26 All land, together with tide, submerged, or shoreland, to which the state holds title to  
27 or to which the state may become entitled, may be obtained by permit or lease for the  
28 purpose of exploration, development, and the extraction of minerals. Except as  
29 specifically limited by AS 38.05.131 - 38.05.181 and 38.05.700 - 38.05.795, land may  
30 be withheld from lease application on a first-come, first-served basis, and offered only  
31 on a competitive bid basis when determined by the commissioner to be in the best

interests of the state.

\* **Sec. 11.** AS 38.05.135(c) is amended to read:

(c) Payment of a royalty or a net profit share payment to the state under a lease issued under AS 38.05.135 - 38.05.181 **or an injection charge under AS 38.05.700 - 38.05.795** becomes due on the date and in the manner specified in the lease or in a regulation adopted by the commissioner.

\* **Sec. 12.** AS 38.05.135(d) is amended to read:

(d) If a royalty or net profit share payment to which the state is entitled under AS 38.05.135 - 38.05.181 **or an injection charge under AS 38.05.700 - 38.05.795** is not paid or is underpaid when it becomes due under (c) of this section, the unpaid amount of the royalty, [OR] net profit share payment, **or injection charge** bears interest in a calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater, compounded quarterly as of the last day of that quarter.

\* **Sec. 13.** AS 38.05.135(e) is amended to read:

(e) If a royalty or net profit share payment to which the state is entitled under AS 38.05.135 - 38.05.181 **or an injection charge under AS 38.05.700 - 38.05.795** is overpaid, interest at the rate and compounded in the manner provided in (d) of this section shall be allowed and paid on the overpayment. The interest allowance is subject to the following:

(1) if the state grants a credit against future payments for the overpayment, the state shall pay interest on the overpayment

(A) from the date that is the later of the date the overpayment

was

(i) due; or

(ii) received;

(B) to the date that is the earlier of the date

(i) of notice to the lessee of the credit; or

(ii) on which the lessee actually takes the credit;

(2) if the state refunds the overpayment, the state shall pay interest on

1 the overpayment

2 (A) from the date that is the later of the date the overpayment

3 was

4 (i) due; or

5 (ii) received;

6 (B) to the date the state issues the refund.

7 \* **Sec. 14.** AS 38.05.140(a) is amended to read:

8 (a) A person may not take or hold coal leases or permits during the life of coal  
9 leases on state land exceeding an aggregate of 92,160 acres, except that a person may  
10 apply for coal leases or permits for acreage in addition to 92,160 acres, not exceeding  
11 a total of 5,120 additional acres of state land. The additional area applied for shall be  
12 in multiples of 40 acres, and the application shall contain a statement that the granting  
13 of a lease for additional land is necessary for the person to carry on business  
14 economically and is in the public interest. On the filing of the application, except as  
15 provided by AS 38.05.180(ff)(3) or 38.05.180(gg) and 38.05.700 - 38.05.795, the coal  
16 deposits in the land covered by the application shall be temporarily set aside and  
17 withdrawn from all other forms of disposal provided under AS 38.05.135 - 38.05.181.

18 \* **Sec. 15.** AS 38.05.184 is amended by adding a new subsection to read:

19 (h) A department or other state agency may not issue a carbon storage license  
20 or lease on state-owned land and water seaward of the mean higher high water line,  
21 beginning at Anchor Point; then around the perimeter of Kachemak Bay, to Point  
22 Pogibshi; then west to the three mile limit of state land and water; then north to a point  
23 three miles west of Anchor Point; then east to the mean higher high water line of  
24 Anchor Point, the point of beginning.

25 \* **Sec. 16.** AS 38.05 is amended by adding new sections to read:

26 **Article 15A. Carbon Storage Exploration Licenses; Leases.**

27 **Sec. 38.05.700. Applicability; regulations.** (a) The provisions of  
28 AS 38.05.700 - 38.05.795 apply to the licensing of state land for carbon storage  
29 exploration and the leasing of state land for carbon storage.

30 (b) The commissioner may adopt regulations necessary to implement  
31 AS 38.05.700 - 38.05.795.

1           **Sec. 38.05.705. Carbon storage exploration licensing.** (a) The commissioner  
2 may issue carbon storage exploration licenses on state land.

3           (b) A carbon storage exploration license gives the licensee

4                   (1) the exclusive right to explore, for carbon storage purposes, the state  
5 land described in the license for a five-year term; and

6                   (2) the option to convert the license for all or part of the state land  
7 described in the license into a carbon storage lease after the licensee complies with the  
8 lease conversion process described in AS 38.05.715.

9           (c) A carbon storage exploration license must

10                   (1) be conditioned on the posting of a bond or other security acceptable  
11 to the department and in favor of the state;

12                   (2) be conditioned on an obligation by the licensee to fulfill a specified  
13 work commitment as set out in the license; the work commitment must include  
14 mandatory provisions for

15                           (A) an annual fee paid by the licensee to the department in an  
16 amount that is at least \$20 an acre, subject to the license; and

17                           (B) an annual report describing the licensee's exploration  
18 activities in the previous calendar year, which the licensee shall provide to the  
19 department; and

20                   (3) include proposed commercial terms that apply if the license is  
21 converted into a carbon storage lease, which must, at a minimum, provide for

22                           (A) an annual rent of at least \$20 an acre; and

23                           (B) a charge on injected volumes of carbon dioxide of at least  
24 \$10 a ton.

25           (d) The commissioner may revoke a carbon storage exploration license before  
26 the termination of the five-year term of the license if the licensee fails to comply with  
27 the requirements of (c) of this section or applicable regulations.

28           (e) The department may renew a carbon storage exploration license for a term  
29 sufficient to determine whether the licensee's permit application will be accepted  
30 under AS 41.06.105 - 41.06.210 if the licensee

31                   (1) before the expiration of the license, applies for a permit under

1 AS 41.06.120;

2 (2) is in compliance with the conditions of the license;

3 (3) provides documentation acceptable to the department of the  
4 pending permit application; and

5 (4) submits to the department an executed renewal form affirming the  
6 original terms of the license for the term of the renewed license.

7 (f) A carbon storage exploration license that has been renewed under (e) of  
8 this section terminates immediately if the Alaska Oil and Gas Conservation  
9 Commission denies the licensee's permit application under AS 41.06.105 - 41.06.210.

10 (g) The dollar amounts in (c) of this section shall increase every five years in  
11 proportion to the Consumer Price Index for urban consumers for urban Alaska, as  
12 determined by the United States Department of Labor, Bureau of Labor Statistics. The  
13 index for January 2024 is the reference base index.

14 (h) A charge on injected volumes of carbon dioxide required under (c)(3)(B)  
15 of this section or as altered by the commissioner under AS 38.05.715(c) is a royalty  
16 for the purposes of the Alaska permanent fund under AS 37.13.010.

17 **Sec. 38.05.710. License procedures.** (a) To apply for a carbon storage  
18 exploration license under AS 38.05.705, an applicant shall submit to the commissioner  
19 a proposal that

20 (1) identifies the specific area to be subject to the license;

21 (2) proposes minimum work commitments;

22 (3) proposes commercial terms applicable to a carbon storage lease  
23 that satisfy the requirements of AS 38.05.705(c)(3);

24 (4) demonstrates the applicant's ability to assume responsibility of a  
25 carbon storage lease;

26 (5) describes how the applicant meets the minimum qualifications for a  
27 licensee under applicable regulations; and

28 (6) includes an attestation of the applicant's ability to perform the  
29 requirements of (2) - (4) of this subsection.

30 (b) The commissioner shall publish notice of a proposal received under (a) of  
31 this section. The notice must include a solicitation for competing proposals. The

1 commissioner shall send a copy of the published notice to each lessee under  
2 AS 38.05.135 - 38.05.181 within one-half mile of the area proposed for the  
3 exploration license. Any person may submit a competing proposal, including a  
4 proposal for the authorization of subsurface storage of oil or gas under  
5 AS 38.05.180(u), under the process established by the commissioner in regulation.  
6 The regulations must require that a competing proposal be submitted not later than 90  
7 days after the commissioner's notice is published.

8 (c) After the period for submission of competing proposals has passed, the  
9 commissioner shall issue a written finding determining whether issuance of a carbon  
10 storage exploration license is in the best interests of the state. If the commissioner  
11 determines that issuance of a carbon storage exploration license is in the best interests  
12 of the state, the finding must

13 (1) describe the limitations, stipulations, and conditions of the license  
14 and any changes to the conditions detailed in the proposal submitted under (a) of this  
15 section, or a competing proposal, that are required before issuance of the exploration  
16 license;

17 (2) set out the commercial terms required for the eventual conversion  
18 of the exploration license into a carbon storage lease;

19 (3) if there are competing proposals from multiple applicants, identify  
20 which applicants are qualified for the issuance of the exploration license and include  
21 information about the competitive bid process as set out in (e) of this section; and

22 (4) include a copy of the exploration license to be issued and the form  
23 of lease that will be used for any portion of the exploration license area that is later  
24 converted to a lease under AS 38.05.715.

25 (d) If the commissioner determines that issuance of a carbon storage  
26 exploration license is in the best interests of the state and that only one applicant is  
27 qualified for a license, the applicant may accept or reject the exploration license, as  
28 limited or conditioned by the terms of the finding made under (c) of this section and in  
29 the form of lease attached to the finding, not later than 30 days after the date the  
30 finding was issued. The applicant shall accept or reject the issuance of the carbon  
31 storage exploration license in writing. If an applicant fails to respond within 30 days

1 after the finding was issued, the commissioner shall consider the applicant's failure to  
2 respond as a rejection of the license.

3 (e) If the commissioner determines that issuance of a carbon storage  
4 exploration license is in the best interests of the state and that more than one applicant  
5 is qualified for a license, the commissioner shall issue a request for competitive sealed  
6 bids, under procedures adopted by regulation, to determine which qualified applicants  
7 will receive a license. If the commissioner determines that a competitive bid process is  
8 necessary, the best interest finding made under (c) of this section must include notice  
9 that the commissioner intends to request competitive bids.

10 (f) The commissioner shall establish in regulation the criteria for the  
11 assessment of competitive bids under (e) of this section and for the determination of a  
12 successful bidder.

13 (g) If a lessee under AS 38.05.135 - 38.05.181 in the area covered by a  
14 proposed carbon storage exploration license participates in a competitive bid process  
15 under (e) of this section and is not the successful bidder, before issuing the license, the  
16 commissioner shall provide the lessee an opportunity to match the successful bid. If  
17 the lessee matches the successful bid, the commissioner shall issue a carbon storage  
18 exploration license to the lessee.

19 (h) A carbon storage exploration license issued under this section and a carbon  
20 storage lease under AS 38.05.715 or 38.05.720 must include

21 (1) a covenant from the licensee or lessee not to unreasonably interfere  
22 with the rights of a lessee under AS 38.05.135 - 38.05.181; and

23 (2) a clause by which the licensee or lessee indemnifies the state for  
24 any unreasonable interference the licensee or lessee might cause to the rights of a  
25 lessee under AS 38.05.135 - 38.05.181.

26 (i) When notice is required under this section, the  
27 department shall follow the requirements for notice under  
28 AS 38.05.945(b) and (c).

29 **Sec. 38.05.715. Conversion to lease by licensee.** (a) The commissioner may  
30 convert a carbon storage exploration license to a carbon storage lease if the licensee  
31 complies with (b) of this section.

1 (b) To convert a carbon storage exploration license to a carbon storage lease, a  
2 licensee shall provide to the commissioner a copy of the permit obtained under  
3 AS 41.06.120. After receiving a copy of the permit, the commissioner may issue a  
4 carbon storage lease for those areas of the exploration license approved for carbon  
5 storage by the permit if the licensee has

6 (1) fulfilled the work commitments set out in the license;

7 (2) demonstrated the ability to meet the commercial terms for the lease  
8 as set out in the license.

9 (c) Notwithstanding (b) of this section, if the commissioner determines that a  
10 carbon storage project is in the best interests of the state and would not be  
11 economically feasible under the commercial terms set by the license, the  
12 commissioner may issue the carbon storage lease under alternative commercial terms.  
13 A lease issued under this subsection must be supported by a written finding that  
14 contains specific factual details justifying the decision, an explanation of the  
15 commissioner's reasons for issuing the lease, and a description of the original terms  
16 and the alternative terms of the lease. The finding must be published on the  
17 commissioner's publicly available Internet website.

18 (d) A lease issued under this section must include

19 (1) commercial terms for the lease;

20 (2) the agreements required under AS 38.05.710(h); and

21 (3) any other condition or obligation the commissioner considers  
22 necessary or that is required by regulation.

23 **Sec. 38.05.720. Transition from enhanced oil recovery operations to**  
24 **carbon storage operations.** (a) A lessee under AS 38.05.180 shall acquire a carbon  
25 storage lease before engaging in carbon storage activity that is not associated with  
26 enhanced oil or gas recovery.

27 (b) At the commissioner's discretion, the commissioner may issue a carbon  
28 storage lease to a lessee under AS 38.05.180 if the lessee is in compliance with  
29 regulations adopted under AS 41.06.185(b). The commissioner may consider the  
30 qualifications and abilities of the lessee to meet the commercial requirements of a  
31 carbon storage lease and whether issuance of the lease is in the best interests of the

1 state.

2 (c) A carbon storage lease issued under this section must include

3 (1) commercial terms acceptable to the department that satisfy the  
4 requirements of AS 38.05.705(c)(3);

5 (2) the agreements required under AS 38.05.710(h);

6 (3) any other condition or obligation the commissioner considers  
7 necessary or that is required by regulation.

8 (d) Before a carbon storage lease issued under this section may be transferred  
9 or assigned to an entity that is not the responsible party under the existing oil and gas  
10 lease under AS 38.05.180, the assuming party must provide financial assurance  
11 acceptable to the department that the obligations of the lease can be met.

12 (e) The department may adopt regulations that allow all or part of a lease  
13 issued under AS 38.05.180 to be transitioned to a lease under this section upon the  
14 receipt of a permit issued under AS 41.06.185.

15 **Sec. 38.05.725. Plan of development and operations; unitization.** (a) The  
16 commissioner shall require the filing and approval of a plan of development and  
17 operation for a carbon storage lease.

18 (b) To prevent or assist in preventing waste, and to protect the correlative  
19 rights of persons owning interest in the tracts of land affected, with the approval of the  
20 commissioner, a group of lessees may validly integrate the lessees' interests to provide  
21 for the unitized management, development, and operation of the tracts of land as a  
22 unit. The commissioner may suspend or modify a development plan approved under  
23 (a) of this section in accordance with the unit agreement. In this subsection, "unit  
24 agreement" means an agreement by lessees with an interest in the unit, the state, and  
25 any other carbon storage lessor with an interest in the unit.

26 (c) A lease operated under a plan approved or prescribed by the commissioner  
27 under this section is excepted from determining holdings or control under  
28 AS 38.05.140. The provisions of this section concerning cooperative or unit plans are  
29 in addition to and do not affect AS 31.05 and AS 41.06.

30 **Sec. 38.05.730. Payments from carbon storage exploration licenses and**  
31 **carbon storage leases.** Except as otherwise provided in AS 38.05.705(h) or under art.

1 IX, sec. 15, Constitution of the State of Alaska, the department shall deposit in the  
2 general fund the money it collects under AS 38.05.700 - 38.05.795.

3 **Sec. 38.05.735. Annual report to the legislature.** The commissioner shall  
4 prepare an annual report that includes an accounting of the carbon storage closure trust  
5 fund established under AS 37.14.850 and information on carbon storage licensing  
6 applications and decisions and the issuance of carbon storage leases. The  
7 commissioner shall submit the report to the senate secretary and the chief clerk of the  
8 house of representatives on or before February 1 of each year and notify the legislature  
9 that the report is available.

10 **Sec. 38.05.740. Removal and restoration after termination.** Upon  
11 termination of a license under AS 38.05.705 or a lease under AS 38.05.715 or  
12 38.05.720, a licensee or lessee shall promptly remove all improvements and  
13 equipment, except as otherwise approved in writing by the commissioner, and shall  
14 restore the land to a condition that is approved by the commissioner.

15 **Sec. 38.05.795. Definitions.** In AS 38.05.700 - 38.05.795, unless the context  
16 requires otherwise,

17 (1) "carbon storage" means the underground storage of carbon dioxide  
18 in a carbon storage reservoir;

19 (2) "enhanced oil or gas recovery" has the meaning in AS 41.06.210;

20 (3) "reservoir" has the meaning given in AS 41.06.210.

21 \* **Sec. 17.** AS 38.35.020(a) is amended to read:

22 (a) Rights-of-way on state land, including rights-of-way over, under, along,  
23 across, or on [UPON] the right-of-way of a public road or highway or the right-of-way  
24 of a railroad or other public utility, or across, on [UPON], over, or under a river or  
25 other body of water or land belonging to or administered by the state may be granted  
26 by noncompetitive lease by the commissioner for pipeline purposes for the  
27 transportation of oil, products, carbon dioxide, or natural gas under those conditions  
28 prescribed by law or by administrative regulation. Except to the extent authorized by  
29 an oil and gas lease, a gas only lease, or a carbon storage lease, or an oil and gas,  
30 [OR] gas only, or carbon storage unit agreement approved by the state, no person  
31 may engage in any construction or operation of any part of an oil, products, carbon

1 dioxide, or natural gas pipeline that is or is proposed to be, [WHICH] in whole or in  
2 part, [IS OR IS PROPOSED TO BE] on state land unless that person has obtained  
3 from the commissioner a right-of-way lease of the land under this chapter.

4 \* **Sec. 18.** AS 38.35.020(b) is amended to read:

5 (b) The commissioner may by regulation exempt from the requirement of a  
6 right-of-way lease under this chapter the construction or operation of

7 (1) field gathering lines or any reasonable classification of field  
8 gathering lines; and

9 (2) a pipeline transporting carbon dioxide within a field for the  
10 purpose of an enhanced oil or gas recovery project under AS 41.06.185 or field  
11 pressurization measures within that same field [THEM FROM THE  
12 REQUIREMENT OF A RIGHT-OF-WAY LEASE UNDER THIS CHAPTER].

13 \* **Sec. 19.** AS 38.35.122 is amended to read:

14 **Sec. 38.35.122. Products pipeline and carbon dioxide transportation**  
15 **pipeline leases.** The commissioner has discretion to include any or all of the terms set  
16 out in AS 38.35.120 in leases of state land for products pipeline right-of-way purposes  
17 **or carbon dioxide transportation pipeline right-of-way purposes.**

18 \* **Sec. 20.** AS 38.35.230(3) is amended to read:

19 (3) "lease" means the instrument or extension of an instrument issued  
20 under this chapter granting a leasehold interest in state land for pipeline right-of-way  
21 purposes to a person and authorizing the construction or operation of, or the  
22 transportation, service, or sale by, a pipeline for crude oil, natural gas, carbon  
23 dioxide, or products;

24 \* **Sec. 21.** AS 38.35.230(7) is amended to read:

25 (7) "pipeline" or "pipeline facility" means all the facilities of a total  
26 system of pipe, whether owned or operated under a contract, agreement, or lease, used  
27 by a carrier for transportation of crude oil, natural gas, carbon dioxide, or products for  
28 delivery, for storage, or for further transportation, and including all pipe, pump or  
29 compressor stations, station equipment, tanks, valves, access roads, bridges, airfields,  
30 terminals and terminal facilities, including docks and tanker loading facilities,  
31 operations control center for both the upstream part of the pipeline and the terminal,

1 tanker ballast treatment facilities, and fire protection system, communication system,  
2 and all other facilities used or necessary for an integral line of pipe, taken as a whole,  
3 to **carry out** [EFFECTUATE] transportation, including an extension or enlargement  
4 of the line;

5 \* **Sec. 22.** AS 38.35.230(10) is amended to read:

6 (10) "transportation" means the shipment or carriage by a pipeline of  
7 crude oil, natural gas, **carbon dioxide**, or products from an upstream terminus in one  
8 or more fields or points of production or supply of the minerals to a downstream  
9 terminus in one or more points for delivery of the minerals to a purchaser or  
10 consignee, for storage, or for further carriage or shipment, including shipment or  
11 carriage within the state that may be classified as interstate or foreign transportation to  
12 the extent that the transportation may constitutionally be subjected to the provisions of  
13 this chapter, as well as all services necessary to **carry out** [EFFECTUATE] shipment  
14 or carriage, including [, AMONG OTHER THINGS,] the receipt, storage, processing,  
15 handling, transfer in transit, forwarding, and delivery of the minerals.

16 \* **Sec. 23.** AS 38.35.230 is amended by adding a new paragraph to read:

17 (11) "carbon dioxide" has the meaning given in AS 41.06.210.

18 \* **Sec. 24.** AS 41.06.005 is amended to read:

19 **Sec. 41.06.005. Jurisdiction over geothermal resources.** (a) The commission  
20 has jurisdiction under **AS 41.06.005 - 41.06.060** [THIS CHAPTER] over geothermal  
21 wells to prevent waste, to protect correlative rights, and to ensure public safety.

22 (b) The Department of Natural Resources has jurisdiction under **AS 41.06.005**  
23 **- 41.06.060** [THIS CHAPTER] over management of geothermal leases and units in the  
24 public interest and to effect development.

25 \* **Sec. 25.** AS 41.06.020 is amended to read:

26 **Sec. 41.06.020. Authority of commission; application.** (a) The commission  
27 has jurisdiction over all persons and property, public and private, necessary to carry  
28 out the purposes and intent of **AS 41.06.005 - 41.06.060** [THIS CHAPTER].

29 (b) The authority of the commission applies to all land in the state lawfully  
30 subject to the police power of the state, including private land, municipal land, state  
31 land, land of the United States, and land subject to the jurisdiction of the United

1 States, and to all land included in a voluntary cooperative or unit plan of development  
2 or operation entered into in accordance with AS 38.05.181. When land that is subject  
3 to the commission's authority is committed to a unit agreement involving land subject  
4 to federal jurisdiction, the operation of AS 41.06.005 - 41.06.060 [THIS CHAPTER]  
5 or a part of AS 41.06.005 - 41.06.060 [THIS CHAPTER] may be suspended if

6 (1) the unit operations are regulated by the United States; and  
7 (2) the conservation of geothermal resources is accomplished under the  
8 unit agreement.

9 (c) The provisions of AS 41.06.005 - 41.06.060 apply [THIS CHAPTER  
10 APPLIES]

11 (1) to wells drilled in search of, in support of, or for the recovery or  
12 production of geothermal resources;

13 (2) when a person engaged in drilling activity not otherwise subject to  
14 the provisions of AS 41.06.005 - 41.06.060 [THIS CHAPTER] encounters geothermal  
15 resources, fluid, or water of sufficient heat or pressure to constitute a threat to human  
16 life or health unless the drilling operation is subject to oil and gas drilling regulation  
17 under AS 31.05;

18 (3) in areas and under conditions in which the commission determines  
19 that drilling may encounter geothermal resources, fluid, or water of sufficient heat or  
20 pressure to constitute a threat to human life or health.

21 (d) To the extent the provisions of AS 31.05 do not conflict with the  
22 provisions of AS 41.06.005 - 41.06.060 [THIS CHAPTER], the provisions of  
23 AS 31.05 are applicable to wells drilled in search of, in support of, or for the recovery  
24 or production of geothermal resources.

25 (e) Nothing in AS 41.06.005 - 41.06.060 [THIS CHAPTER] limits the  
26 authority of the department

27 (1) over geothermal resources under AS 38.05.181; or

28 (2) to approve and manage geothermal units or operations that include  
29 state land.

30 \* **Sec. 26.** AS 41.06.030(e) is amended to read:

31 (e) The commissioner may adopt regulations under AS 44.62 (Administrative

1        **Procedure Act**) to carry out the purposes and intent of **AS 41.06.005 - 41.06.060**  
2        [THIS CHAPTER] for duties assigned to the department, including the promotion of  
3        maximum economic recovery.

4        \* **Sec. 27.** AS 41.06.035(b) is amended to read:

5                (b) The commission may adopt regulations under AS 44.62 (**Administrative**  
6        **Procedure Act**) and issue orders appropriate to carry out the purposes and intent of  
7        **AS 41.06.005 - 41.06.060** [THIS CHAPTER] for duties assigned to the commission,  
8        including orders regarding the establishment of drilling units for pools as set out in  
9        AS 31.05.100 and orders regarding unitized operation and integration of interests as  
10       set out in AS 31.05.110.

11       \* **Sec. 28.** AS 41.06.040(a) is amended to read:

12                (a) The commission shall adopt regulations under AS 44.62 (Administrative  
13        Procedure Act), issue orders, and take other appropriate action to carry out the  
14        purposes and intent of **AS 41.06.005 - 41.06.060** [THIS CHAPTER], including  
15        adopting regulations to prevent

16                        (1) geothermal resources, water or other fluids, and gases from  
17        escaping into strata other than that in which they are found, unless in accordance with  
18        an approved reinjection program;

19                        (2) contamination of surface and groundwater;

20                        (3) premature degradation of a geothermal system by water  
21        encroachment or otherwise;

22                        (4) blowouts, cavings, and seepage; and

23                        (5) unreasonable disturbance or injury to neighboring properties, prior  
24        water rights, prior oil or gas rights, human life, health, and the natural environment.

25       \* **Sec. 29.** AS 41.06.050(e) is amended to read:

26                (e) In making the determination under (d) of this section, the commission shall  
27        consider whether the

28                        (1) proposed well will significantly interfere with or substantially  
29        impair a prior water, oil, or gas right;

30                        (2) proposed well is contrary to a provision of **AS 41.06.005 -**  
31        **41.06.060** [THIS CHAPTER], a regulation adopted by the commission, another law,

1 or an order, stipulation, or term of a permit issued by the commission; and

2 (3) applicant is in violation of a provision of AS 41.06.005 - 41.06.060  
3 [THIS CHAPTER], a regulation adopted by the commission, another law, or an order,  
4 stipulation, or term of a permit issued by the commission; the commission shall  
5 consider the magnitude of the violation.

6 \* **Sec. 30.** AS 41.06.055(c) is amended to read:

7 (c) The commission shall determine the regulatory cost charges levied under  
8 this section so that the total amount to be collected approximately equals the  
9 appropriations made for the operating costs of the commission that have been incurred  
10 under AS 41.06.005 - 41.06.060 [THIS CHAPTER] for the fiscal year.

11 \* **Sec. 31.** AS 41.06.055(d) is amended to read:

12 (d) The commission shall collect the regulatory cost charges imposed under  
13 this section. The Department of Administration shall identify the amount of  
14 appropriations made for the operating costs of the commission under AS 41.06.005 -  
15 41.06.060 [THIS CHAPTER] that lapse into the general fund each year. The  
16 legislature may appropriate an amount that is at least equal to the lapsed amount to the  
17 commission for its operating costs under AS 41.06.005 - 41.06.060 [THIS  
18 CHAPTER] for the next fiscal year. If the legislature makes an appropriation to the  
19 commission under this subsection that is equal to or greater than the lapsed amount,  
20 the commission shall reduce the total regulatory cost charge collected for that fiscal  
21 year by a comparable amount.

22 \* **Sec. 32.** AS 41.06.060 is amended to read:

23 **Sec. 41.06.060. Definitions.** In AS 41.06.005 - 41.06.060 [THIS CHAPTER],  
24 unless the context otherwise requires,

25 (1) "commercial use" means the sale of heat or power to a third party;

26 (2) "commission" means the Alaska Oil and Gas Conservation  
27 Commission created under AS 31.05.005;

28 (3) "correlative rights" means the right of an owner of each property in  
29 a geothermal system to produce without waste the owner's just and equitable share of  
30 the geothermal resources in the geothermal system; a just and reasonable share is an  
31 amount, so far as can be practically determined and so far as can be practically

1 produced without waste, that is substantially in proportion to the quantity of  
2 recoverable geothermal resources under the owner's property relative to the total  
3 recoverable geothermal resources in the geothermal system;

4 (4) "geothermal fluid" means liquids and steam at temperatures greater  
5 than 120 degrees Celsius or any commercial use of liquids and steam naturally present  
6 in a geothermal system at temperatures less than 120 degrees Celsius;

7 (5) "geothermal resources"

8 (A) means the natural heat of the earth at temperatures greater  
9 than 120 degrees Celsius, or any use of that heat for commercial purposes,  
10 measured at the point at which [WHERE] the highest-temperature resources  
11 encountered enter or contact a well or other resource extraction device or any  
12 commercial use of the natural heat of the earth;

13 (B) includes

14 (i) the energy, including pressure, in whatever form  
15 present in, resulting from, created by, or that may be extracted from  
16 that natural heat;

17 (ii) the material medium, including steam and other  
18 gases, hot water, and hot brines constituting the geothermal fluid  
19 naturally present, as well as substances artificially introduced to serve  
20 as a heat transfer medium; and

21 (iii) all dissolved or entrained minerals and gases that  
22 may be obtained from the material medium, but excluding hydrocarbon  
23 substances and helium;

24 (6) "geothermal system" means a stratum, pool, reservoir, or other  
25 geologic formation containing geothermal resources;

26 (7) "operator" means a person drilling, maintaining, operating,  
27 producing, or in control of a well;

28 (8) "owner" means the person who has the right to drill into or produce  
29 from a geothermal system and to appropriate the geothermal resources produced from  
30 a geothermal system for that person and others;

31 (9) "waste" means, in addition to its ordinary meaning, physical waste,

1 and includes an inefficient, excessive, or improper production, use, or dissipation of  
2 geothermal resources, including

3 (A) drilling, transporting, or storage methods that cause or tend  
4 to cause unnecessary surface loss of geothermal resources;

5 (B) locating, spacing, drilling, equipping, operating, producing,  
6 or venting of a well in a manner that results or tends to result in reducing the  
7 ultimate economic recovery of geothermal resources;

8 (10) "well" means a well drilled, converted, or reactivated for the  
9 discovery, testing, production, or subsurface injection of geothermal resources.

10 \* **Sec. 33.** AS 41.06 is amended by adding new sections to read:

11 **Article 2. Carbon Storage; Injection.**

12 **Sec. 41.06.105. Jurisdiction over storage facilities.** The commission has  
13 jurisdiction under AS 41.06.105 - 41.06.210 over storage facilities to prevent waste,  
14 protect correlative rights, and ensure public health and safety.

15 **Sec. 41.06.110. Authority of the commission.** (a) The authority of the  
16 commission applies to all land

17 (1) in the state lawfully subject to the police power of the state,  
18 including private land, municipal land, state land, federal land, and land subject to the  
19 jurisdiction of the United States; and

20 (2) included in a voluntary cooperative or unit plan of development or  
21 operation entered into in accordance with AS 38.05.725.

22 (b) When land that is subject to the commission's authority is committed to a  
23 unit agreement involving land subject to federal jurisdiction, the operation of  
24 AS 41.06.105 - 41.06.210 may be suspended if

25 (1) the unit operations are regulated by the United States; and

26 (2) conservation of resources in the reservoir or pool is accomplished  
27 in the agreement.

28 (c) The commission has the authority to

29 (1) regulate activities related to a storage facility, including the  
30 construction, operation, and closure of the facility;

31 (2) require that storage operators provide assurance, including bonds,

1 that money is available to fulfill the storage operator's duties;

2 (3) enter, at a reasonable time and in a reasonable manner, a storage  
3 facility to

4 (A) inspect equipment and facilities;

5 (B) observe, monitor, and investigate operation; and

6 (C) inspect records required to be maintained at the facility;

7 (4) exercise continuing jurisdiction over storage operators and storage  
8 facilities, including the authority, after notice and hearing, to amend provisions in a  
9 permit and to revoke a permit; and

10 (5) dissolve or change the boundaries of an oil or gas field or unit  
11 established by the commission that is within or near the boundaries of a storage  
12 reservoir.

13 (d) To the extent AS 31.05 does not conflict with AS 41.06.105 - 41.06.210,  
14 the provisions of AS 31.05 are applicable to wells drilled in search of, in support of,  
15 and for carbon storage.

16 (e) Nothing in AS 41.06.105 - 41.06.210 limits the authority of the  
17 Department of Natural Resources under AS 38.05.700 - 38.05.795 or AS 41.06.305.

18 **Sec. 41.06.115. Waste prohibited; investigation.** Waste in a storage facility  
19 or storage reservoir in the state is prohibited. The commission may investigate to  
20 determine whether waste exists or is imminent, or whether other facts exist that justify  
21 or require action by the commission to prohibit waste. The injection of carbon dioxide  
22 and substances commonly associated with carbon dioxide injection is not considered  
23 waste.

24 **Sec. 41.06.120. Storage facility permit.** (a) A storage operator is required to  
25 obtain a permit from the commission to operate a storage facility.

26 (b) A permit may not be transferred unless the commission consents.

27 (c) A person applying for a permit shall

28 (1) request a preapplication meeting with the commission staff;

29 (2) comply with application requirements;

30 (3) pay a fee in an amount determined by the commission; and

31 (4) pay the commission the cost the commission incurs in reviewing

1 the person's application, publishing notices for hearings, and holding hearings on the  
2 person's permit application.

3 (d) A permit application must include sufficient information to enable the  
4 commission to determine whether the storage facility will interfere with or impair an  
5 existing water, oil, gas, or other mineral interest.

6 (e) The commission shall set the amount of the fee in (c)(3) of this section  
7 based on the anticipated cost to the commission associated with processing  
8 applications, including preliminary work in advance of receiving an application. The  
9 commission may enter into an agreement with a prospective applicant that requires the  
10 applicant to reimburse the commission for reasonable costs of work incurred in  
11 preparing for activities before the commission receives an application.

12 (f) The commission shall deposit fees collected under this section in the  
13 carbon dioxide storage facility administrative fund established in AS 41.06.160.

14 **Sec. 41.06.125. Hearing on permit application.** (a) Before issuing a permit  
15 for a storage facility, the commission shall hold a public hearing.

16 (b) The commission shall provide notice of a public hearing under this section.  
17 The commission shall provide notice in the same manner as a notice under  
18 AS 31.05.050(b) and shall provide notice to

19 (1) each mineral lessee, mineral owner, and mineral right owner of  
20 record within the storage reservoir and within one-half mile of the boundaries of the  
21 storage reservoir;

22 (2) each surface owner of land overlying the storage reservoir and  
23 within one-half mile of the boundaries of the storage reservoir; and

24 (3) any additional persons that the commission considers necessary.

25 (c) A hearing notice required by this section must comply with deadlines set  
26 by the commission.

27 **Sec. 41.06.130. Permit requirements.** (a) The commission shall consult with  
28 the Department of Environmental Conservation and the Department of Natural  
29 Resources before issuing a permit under AS 41.06.120.

30 (b) Before the commission may approve a permit application submitted under  
31 AS 41.06.120, the commission must find

1 (1) that the storage operator has complied with all requirements set by  
2 the commission;

3 (2) that the proposed storage facility is suitable and feasible for carbon  
4 storage;

5 (3) that the carbon dioxide to be stored is of a quality that allows it to  
6 be safely and efficiently stored in the storage reservoir;

7 (4) that the storage operator has made a good faith effort to get the  
8 consent of all persons with an ownership interest in the proposed storage reservoir and  
9 surface owners of land overlying the proposed storage reservoir;

10 (5) if the proposed storage facility contains commercially valuable  
11 minerals, that the interests of the mineral owners or mineral lessees will not be  
12 adversely affected or have been addressed in an arrangement entered into by the  
13 mineral owners or mineral lessees and the storage operator;

14 (6) that the proposed storage facility will not adversely affect surface  
15 water or formations containing fresh water;

16 (7) that carbon dioxide is not reasonably anticipated to escape from the  
17 storage reservoir;

18 (8) that substances that compromise the objectives of AS 41.06.105 -  
19 41.06.210 or the integrity of a storage reservoir will not enter a storage reservoir;

20 (9) that the proposed storage facility will not endanger human health or  
21 unduly endanger the environment;

22 (10) that the proposed storage facility is in the public interest;

23 (11) that the horizontal and vertical boundaries of the proposed storage  
24 reservoir are defined and the boundaries include buffer areas to ensure that the storage  
25 facility is operated safely and as contemplated;

26 (12) that the storage operator will establish monitoring facilities and  
27 protocols to assess the location and migration of carbon dioxide injected for carbon  
28 storage and to ensure compliance with all permit, statutory, and administrative  
29 requirements;

30 (13) that all nonconsenting landowners or holders of mineral rights are,  
31 or will be, equitably compensated; and

1 (14) that the storage operator is not in violation of a provision of  
2 AS 41.06.105 - 41.06.210 or regulations adopted by the commission.

3 **Sec. 41.06.135. Permit provisions.** The commission may include in a permit  
4 or order any parameters necessary to carry out the objectives of AS 41.06.105 -  
5 41.06.210, prevent waste, protect correlative rights, and ensure the health and safety of  
6 persons affected by the permit.

7 **Sec. 41.06.140. Amalgamating property interests.** If a storage operator does  
8 not obtain the consent of all persons with an ownership interest in the storage  
9 reservoir, the commission may order that the pore space rights of nonconsenting  
10 owners be included in a storage facility and subject to carbon storage. Before the  
11 commission may issue an order forming an amalgamation under this section, the  
12 commission shall provide public notice and hold a hearing.

13 **Sec. 41.06.145. Certificate.** When the commission issues a permit under  
14 AS 41.06.120, the commission shall also issue a certificate that states that the permit  
15 has been issued, describes the area covered, and contains other information the  
16 commission considers appropriate. The storage operator may file a copy of the  
17 certificate with the office of the recorder in the district in which the storage facility is  
18 located.

19 **Sec. 41.06.150. Environmental protection; storage reservoir integrity.** (a)  
20 The commission shall take action to ensure that

21 (1) substances that compromise the integrity of a storage reservoir do  
22 not enter a storage reservoir; and

23 (2) carbon dioxide does not escape from a storage facility.

24 (b) For the purposes of this section, and in the application of other laws,  
25 carbon dioxide that is stored and remains in carbon storage under a permit is not  
26 considered a pollutant and does not constitute a nuisance.

27 (c) The commission's authority under (a) of this section does not limit the  
28 jurisdiction of the Department of Environmental Conservation.

29 **Sec. 41.06.155. Preservation of rights.** Nothing in AS 41.06.105 - 41.06.210

30 (1) prejudices the rights of a person with a property interest in a  
31 storage facility to exercise rights that have not been committed to the storage facility;

1 or

2 (2) prevents a mineral owner or mineral lessee from drilling through or  
3 near a storage reservoir to explore for and develop minerals if the drilling, production,  
4 and related activities comply with requirements set by the commission to preserve the  
5 integrity of the storage facility and protect the objectives of AS 41.06.105 - 41.06.210.

6 **Sec. 41.06.160. Fees; carbon dioxide storage facility administrative fund.**

7 (a) A storage operator shall pay to the commission a fee on each metric ton of carbon  
8 dioxide injected for carbon storage. The commission shall set the amount of the fee  
9 based on the anticipated expenses the commission will incur in regulating storage  
10 facilities during each phase, including the construction, operational, and pre-  
11 completion phases. The commission shall deposit a fee collected under this subsection  
12 in the carbon dioxide storage facility administrative fund established in (b) of this  
13 section.

14 (b) The carbon dioxide storage facility administrative fund is established in  
15 the general fund. The fund consists of

16 (1) fees received under (a) of this section;

17 (2) fees received under AS 41.06.120 and 41.06.195; and

18 (3) interest earned on money in the fund.

19 (c) Money in the carbon dioxide storage facility administrative fund shall be  
20 separately accounted for under AS 37.05.142. The legislature may appropriate the  
21 money in the fund to the commission to carry out the purposes of AS 41.06.105 -  
22 41.06.210.

23 **Sec. 41.06.165. Title to carbon dioxide.** The storage operator has title to the  
24 carbon dioxide injected into and stored in a storage reservoir and holds title until the  
25 commission issues a certificate of completion under AS 41.06.170. While the storage  
26 operator holds title, the operator is liable for any damage the carbon dioxide may  
27 cause, including damage caused by carbon dioxide that escapes from the storage  
28 facility. When a certificate of completion is issued under AS 41.06.170, title to carbon  
29 dioxide injected into and stored in a storage reservoir is transferred to the owner of the  
30 pore space, unless the storage operator and the owner of the pore space have a  
31 contrary agreement.

1           **Sec. 41.06.170. Certificate of completion.** (a) Once a storage operator  
2 discontinues carbon dioxide injections into a storage reservoir, and upon application  
3 by the storage operator, the commission may issue a certificate of completion

4                   (1) only after public notice and hearing; the commission shall establish  
5 notice requirements for a hearing under this paragraph;

6                   (2) only after the commission consults with the Department of  
7 Environmental Conservation, the Department of Natural Resources, and all persons  
8 with an ownership interest in the storage reservoir; and

9                   (3) after a period of at least 50 years, or another period approved by  
10 the commission for the storage reservoir based on requirements established in  
11 regulation, has elapsed since the last carbon dioxide injection into the storage  
12 reservoir.

13           (b) The commission may issue a certificate of completion only if the storage  
14 operator

15                   (1) has fully complied with all laws governing the storage facility;

16                   (2) shows that the operator has addressed all pending claims regarding  
17 the operation of the storage facility;

18                   (3) shows that the underground place or pore space in which the  
19 injected carbon dioxide is stored is not expected to pose a threat to human health,  
20 human safety, the environment, or underground sources of drinking water;

21                   (4) shows that the stored or injected carbon dioxide is unlikely to cross  
22 an underground or pore space boundary and is not expected to endanger an  
23 underground source of drinking water or otherwise endanger human health, human  
24 safety, or the environment;

25                   (5) shows that all wells, equipment, and facilities allowed to remain in  
26 place following post-injection site care and site closure are in good condition and  
27 retain mechanical integrity;

28                   (6) shows that the operator has plugged wells, removed equipment and  
29 facilities, and completed reclamation work as required by the commission and the  
30 Department of Natural Resources;

31                   (7) has paid all fees and surcharges owed for the storage facility; and

1 (8) meets any other regulatory requirements established by the state.

2 (c) Once a certificate of completion is issued, the department assumes primary  
3 responsibility for long-term monitoring and maintenance of the storage facility, as  
4 provided in AS 41.06.305. The storage operator and all persons who generated  
5 injected carbon dioxide are released from liability to the state associated with the  
6 storage facility in an amount equal to the amount attributed to the storage facility in  
7 the carbon storage closure trust fund established in AS 37.14.850. The state, the  
8 department, or the commission is not liable for damages arising out of, or in any  
9 manner connected with, long-term monitoring and maintenance of a storage facility if  
10 the amount for the storage facility separately accounted for in the carbon storage  
11 closure trust fund established in AS 37.14.850 is unavailable or insufficient. A bond  
12 posted by the storage operator under AS 41.06.110(c)(2) must be released. In this  
13 subsection, "long-term monitoring and maintenance" has the meaning given in  
14 AS 41.06.305(e).

15 **Sec. 41.06.175. Carbon storage facility injection surcharge.** (a) A storage  
16 operator injecting carbon dioxide at a storage facility shall pay to the commission a  
17 surcharge each year for the first 12 years that carbon dioxide is injected at the storage  
18 facility. The commission shall deposit the surcharge into the general fund. The  
19 legislature may appropriate a surcharge collected under this subsection into the carbon  
20 storage closure trust fund established in AS 37.14.850.

21 (b) The annual surcharge in this section is determined by the following  
22 formula:  $S = (7,500,000 \times (I/261.78)) / 12$ , where

23 (1) S is the dollar amount of the annual surcharge for a storage facility;

24 (2) I is equal to the Consumer Price Index for urban consumers for  
25 urban Alaska, as determined by the United States Department of Labor, Bureau of  
26 Labor Statistics, without seasonal adjustment, for December of the calendar year  
27 immediately preceding the year of issuance of the storage facility permit.

28 **Sec. 41.06.180. Penalties.** (a) In addition to the penalties in (b) - (d) of this  
29 section, a person who violates a provision of AS 41.06.105 - 41.06.210, a regulation  
30 adopted under AS 41.06.105 - 41.06.210, or an order or term of a permit issued by the  
31 commission under AS 41.06.105 - 41.06.210 is liable for a civil penalty of not more

1 than \$100,000 for the initial violation and not more than \$10,000 for each day  
2 thereafter on which the violation continues.

3 (b) A person who knowingly commits an act specified in AS 11.46.630(a) for  
4 the purpose of evading a provision of AS 41.06.105 - 41.06.210, a regulation adopted  
5 under AS 41.06.105 - 41.06.210, or an order, stipulation, or term of a permit issued by  
6 the commission is guilty of a class A misdemeanor.

7 (c) A person who knowingly violates a provision of AS 41.06.105 - 41.06.210,  
8 a regulation adopted under AS 41.06.105 - 41.06.210, or an order, stipulation, or term  
9 of a permit issued by the commission is guilty of a class A misdemeanor punishable  
10 by a fine of not more than \$10,000 a day for each day of violation.

11 (d) A person who knowingly aids or abets another person in the violation of a  
12 provision of AS 41.06.105 - 41.06.210, a regulation adopted under AS 41.06.105 -  
13 41.06.210, or an order, stipulation, or term of a permit issued by the commission is  
14 subject to the same penalty as that prescribed in this section for the violation by the  
15 other person.

16 (e) The commission may assess the civil penalties provided in this section,  
17 and, if not paid, the penalties are recoverable by suit filed by the attorney general in  
18 the name and on behalf of the commission in the superior court. The payment of a  
19 penalty does not relieve a person on whom the penalty is imposed from liability to any  
20 other person for damages arising out of the violation.

21 (f) In determining the amount of a penalty assessed under (a) of this section,  
22 the commission shall consider

23 (1) the extent to which the person committing the violation was acting  
24 in good faith in attempting to comply;

25 (2) the extent to which the person committing the violation acted in a  
26 wilful or knowing manner;

27 (3) the extent and seriousness of the violation and the actual or  
28 potential threat to public health or the environment;

29 (4) the economic or environmental harm or injury to the public caused  
30 by the violation;

31 (5) the economic value or other benefits derived by the person

1 committing the violation from the commission of the violation;

2 (6) any history of previous violations by the person committing the  
3 violation;

4 (7) the need to deter similar behavior by the person committing the  
5 violation and others similarly situated at the time of the violation or in the future;

6 (8) the effort made by the person committing the violation to correct  
7 the violation and prevent future violations; and

8 (9) other matters justice requires.

9 **Sec. 41.06.185. Enhanced oil or gas recovery.** (a) Except as provided in (b)  
10 of this section, the provisions of AS 41.06.105 - 41.06.210 do not apply to  
11 applications filed with the commission proposing to use carbon dioxide for enhanced  
12 oil or gas recovery.

13 (b) The commission may adopt regulations that allow enhanced oil or gas  
14 recovery and related well activities to be converted to a storage facility. The  
15 regulations must require that, in considering whether to approve a conversion, and  
16 upon conversion, the provisions of AS 41.06.105 - 41.06.210 apply. The regulations  
17 may impose additional requirements to AS 41.06.105 - 41.06.210, or describe specific  
18 situations in which the requirements of AS 41.06.105 - 41.06.210 are waived, to  
19 ensure that the objectives of AS 41.06.105 - 41.06.210 are met.

20 **Sec. 41.06.190. Cooperative agreements and contracts.** (a) The commission  
21 may enter into agreements with other governments, government entities, and state  
22 agencies for the purpose of carrying out the objectives of AS 41.06.105 - 41.06.210.

23 (b) The commission may enter into contracts with private persons to assist in  
24 carrying out the objectives of AS 41.06.105 - 41.06.210. If an emergency exists, the  
25 commission may enter into contracts without public notice and without competitive  
26 bidding.

27 **Sec. 41.06.195. Determining capacity of storage reservoir; carbon credits;  
28 fees.** (a) The commission may adopt a written policy establishing procedures and  
29 criteria that the commission will use to determine the carbon storage capacity of a  
30 storage reservoir, including for the purpose of enhanced oil or gas recovery.

31 (b) The purpose of determining the carbon storage capacity of a storage

1 reservoir is to facilitate calculating the amount of stored carbon dioxide for matters  
2 including carbon credits, allowances, trading, emissions allocations, and offsets. The  
3 commission may charge a reasonable fee to a person requesting a capacity  
4 determination. The commission shall set the fee by regulation. The commission shall  
5 deposit fees received under this subsection in the carbon dioxide storage facility  
6 administrative fund established in AS 41.06.160.

7 (c) In this section, "carbon storage capacity of a storage reservoir" means the  
8 maximum injected volume in a storage reservoir at which the pressure in the reservoir  
9 does not pose a risk to the integrity of the reservoir or its ability to maintain carbon  
10 storage.

11 **Sec. 41.06.210. Definitions.** In AS 41.06.105 - 41.06.210, unless the context  
12 requires otherwise,

13 (1) "carbon dioxide" means carbon dioxide of a quality that will not  
14 compromise

15 (A) the safety of carbon storage; and

16 (B) the properties of a storage reservoir that allow the reservoir  
17 to effectively enclose and contain a stored gas or stored supercritical fluid;

18 (2) "carbon storage" means the underground storage of carbon dioxide  
19 in a storage reservoir;

20 (3) "commission" means the Alaska Oil and Gas Conservation  
21 Commission created under AS 31.05.005;

22 (4) "enhanced oil or gas recovery" means the increased recovery of  
23 hydrocarbons, including oil and gas, from a common source of supply achieved by  
24 artificial means or by the application of energy extrinsic to the common source of  
25 supply, including pressuring, cycling, pressure maintenance or injection of a substance  
26 or form of energy, including injection of water, gas, carbon dioxide, or both gas and  
27 carbon dioxide, including immiscible and miscible floods, as long as the enhanced oil  
28 or gas recovery does not include injection of a substance or form of energy for the sole  
29 purpose of

30 (A) aiding in the lifting of fluids in the well; or

31 (B) stimulation of the reservoir at or near the well by

1 mechanical, chemical, thermal, or explosive means;

2 (5) "permit" means a storage facility permit issued under  
3 AS 41.06.120;

4 (6) "pore space" means a cavity or void in a subsurface sedimentary  
5 stratum;

6 (7) "reservoir" means a subsurface sedimentary stratum, formation,  
7 aquifer, cavity, or void, including pore space, oil and gas reservoirs, saline formations,  
8 and coal seams that are suitable, or capable of being made suitable, for injection and  
9 carbon storage;

10 (8) "storage facility" means the storage reservoir, underground  
11 equipment, well, and surface facilities and equipment used in accordance with a  
12 permit; "storage facility" does not include pipelines, compressors, surface facilities,  
13 and equipment used to transport carbon dioxide to the storage facility that are  
14 unrelated to well safety and metering;

15 (9) "storage operator" means a person holding or applying for a permit;

16 (10) "storage reservoir" means a reservoir proposed, authorized, or  
17 used for carbon storage;

18 (11) "supercritical fluid" means a substance at or above its critical  
19 temperature and critical pressure that is neither a liquid nor a gas but that has  
20 properties of both;

21 (12) "waste" means, in addition to its ordinary meaning, physical  
22 waste, and includes inefficient, excessive, or improper operation of a storage facility  
23 or well;

24 (13) "well" means a well that is drilled, converted, or reactivated for  
25 discovery, testing, or subsurface injection into a reservoir.

26 **Article 3. Long-Term Monitoring and Maintenance of Carbon Storage Facilities.**

27 **Sec. 41.06.305. Long-term monitoring and maintenance.** (a) The  
28 department shall conduct long-term monitoring and maintenance of a storage facility  
29 that has been issued a certificate of completion under AS 41.06.170.

30 (b) Under this section, the authority of the department applies to all land in the  
31 state lawfully subject to the police power of the state, including private land,

1 municipal land, state land, land of the United States, and land subject to the  
2 jurisdiction of the United States. The department may enter, at a reasonable time and  
3 in a reasonable manner, the site of a storage facility that has been issued a certificate  
4 of completion under AS 41.06.170.

5 (c) The state, the department, and the commission have no obligation to pay  
6 costs associated with long-term monitoring and maintenance of a storage facility in an  
7 amount greater than the amount attributable to that storage facility and separately  
8 accounted for under AS 37.14.850.

9 (d) The department may adopt regulations under AS 44.62 (Administrative  
10 Procedure Act) to carry out the purposes of this section.

11 (e) In this section,

12 (1) "commission" means the Alaska Oil and Gas Conservation  
13 Commission created under AS 31.05.005;

14 (2) "long-term monitoring and maintenance" means an activity  
15 associated with monitoring and maintenance of a storage facility that has been issued a  
16 certificate of completion under AS 41.06.170 and may include

17 (A) operational and long-term inspecting, testing, and  
18 monitoring of the storage facility site, wells, and remaining facilities;

19 (B) remediation measures arising from the storage facility site,  
20 including remediation of property and mechanical problems associated with  
21 wells and remaining facilities;

22 (C) repairing mechanical leaks at the storage facility site;

23 (D) plugging and abandoning wells;

24 (E) converting wells for use as observation wells;

25 (F) purchasing or paying insurance costs for a storage facility,  
26 whether commercially or through government funding;

27 (3) "storage facility" has the meaning given in AS 41.06.210.

28 \* **Sec. 34.** AS 41.21.167(a) is amended to read:

29 (a) The land and water areas described in AS 41.21.161 are not open to  
30 mineral entry under AS 38.05.135 - 38.05.275 or 38.05.700 - 38.05.795.

31 \* **Sec. 35.** AS 41.21.491(d) is amended to read:

1 (d) Except for oil and gas leasing under AS 38.05.180 **and carbon storage**  
2 **licensing and leasing under AS 38.05.700 - 38.05.795**, the mineral estate in the state-  
3 owned land and water described in (a) of this section is closed to mineral entry under  
4 AS 38.05.181 - 38.05.275.

5 \* **Sec. 36.** AS 41.21.502(c) is amended to read:

6 (c) The mineral estate in the state-owned land and water described in (a) of  
7 this section is open to oil and gas leasing under AS 38.05.180 **and carbon storage**  
8 **licensing and leasing under AS 38.05.700 - 38.05.795**. The mineral estate in the  
9 state-owned land and water described in (a) of this section is closed to mineral entry  
10 under AS 38.05.181 - 38.05.275.

11 \* **Sec. 37.** AS 41.21.617 is amended to read:

12 **Sec. 41.21.617. Other uses generally.** The state land and water described in  
13 AS 41.21.611(b) is closed to mineral entry under AS 38.05.135 - 38.05.275 **and**  
14 **38.05.700 - 38.05.795**, to commercial harvest of timber, and to sale under state land  
15 disposal laws. The commissioner may lease the land described in AS 41.21.611(b)  
16 under AS 38.05.070 - 38.05.105 for a purpose consistent with AS 41.21.610(a) and  
17 (b). A municipality may select land within the Alaska Chilkat Bald Eagle Preserve  
18 under law.

19 \* **Sec. 38.** AS 42.05.141 is amended by adding new subsections to read:

20 (g) Except as provided in AS 42.05.711(q) and (s), the commission shall  
21 regulate under this chapter the service of natural gas storage and the service of  
22 liquefied natural gas storage, including storage furnished by operating a natural gas  
23 storage facility that is part of a

24 (1) pipeline facility operated by a pipeline carrier; or

25 (2) natural gas pipeline facility operated by a natural gas pipeline  
26 carrier.

27 (h) In (g) of this section, "natural gas pipeline carrier," "natural gas pipeline  
28 facility," "pipeline carrier," and "pipeline facility" have the meanings given in  
29 AS 42.06.630.

30 \* **Sec. 39.** AS 42.05.381(k) is amended to read:

31 (k) The cost to the utility of storing gas in a gas storage facility or storing

1 liquefied natural gas in a liquefied natural gas storage facility that is allowed in  
2 determining a just and reasonable rate shall reflect the

3 **(1)** reduction in cost attributable to any exemption from a payment due  
4 under AS 38.05.096 or 38.05.180(u), as applicable, and the value of a tax credit that  
5 the owner of the gas storage facility received under AS 43.20.046 or 43.20.047, as  
6 applicable; the [. THE] commission may request the

7 **(A)** [(1)] commissioner of natural resources to report the value  
8 of the exemption from a payment due under AS 38.05.096 or 38.05.180(u), as  
9 applicable, that the gas storage facility received; and

10 **(B)** [(2)] commissioner of revenue to report information on the  
11 amount of tax credits claimed under AS 43.20.046 and 43.20.047, as  
12 applicable, for the gas storage facility or liquefied natural gas storage facility;

13 **(2) fair market value of oil and gas fields, drilling rigs, production**  
14 **platforms, wells, and similar assets used for gas storage or liquefied natural gas**  
15 **storage and a fair return on the fair market value of those assets;**

16 **(3) costs related to the dismantlement, removal, and restoration of**  
17 **a gas storage facility or liquefied natural gas storage facility** [. IN THIS  
18 SUBSECTION, "GAS STORAGE FACILITY" HAS THE MEANING GIVEN IN  
19 AS 31.05.032].

20 \* **Sec. 40.** AS 42.05.381 is amended by adding new subsections to read:

21 (p) For rate-making purposes, the commission shall consider the investment of  
22 a public utility in a liquefied natural gas import or export facility as utility property,  
23 even if the liquefied natural gas import or export facility is exempt from regulation by  
24 the commission. In this subsection,

25 (1) "investment" includes an investment in land used to connect to a  
26 liquefied natural gas import or export facility used by the public utility to render  
27 service to the public;

28 (2) "liquefied natural gas import or export facility" includes a facility  
29 used to receive, unload, load, store, transport, gasify, liquefy, or process natural gas.

30 (q) In (k) of this section, "gas storage facility" has the meaning given in  
31 AS 31.05.032(c).

1 \* **Sec. 41.** AS 42.05 is amended by adding a new section to article 5 to read:

2 **Sec. 42.05.505. Records of gas storage facilities.** Records held by the  
3 commission related to the finances of a gas storage facility, a liquefied natural gas  
4 storage facility, or a public utility providing the service of natural gas storage,  
5 including financial statements and financial assurance agreements, are confidential  
6 and are not public records under AS 40.25.100 - 40.25.295 (Alaska Public Records  
7 Act). The commission may disclose information from a record subject to this section  
8 only to a state or federal agency if the commission determines that disclosure of the  
9 information is necessary for the commission to complete its duties.

10 \* **Sec. 42.** AS 42.05.711(q) is amended to read:

11 (q) The service of natural gas storage furnished by operating a natural gas  
12 storage facility that is [(1) PART OF A PIPELINE FACILITY OPERATED BY A  
13 PIPELINE CARRIER, (2) PART OF A NATURAL GAS PIPELINE FACILITY  
14 OPERATED BY A NATURAL GAS PIPELINE CARRIER, OR (3)] part of a North  
15 Slope natural gas pipeline facility operated by a North Slope natural gas pipeline  
16 carrier is exempt from this chapter. In this subsection, ["NATURAL GAS PIPELINE  
17 CARRIER," "NATURAL GAS PIPELINE FACILITY,"] "North Slope natural gas  
18 pipeline carrier [,]" **and** "North Slope natural gas pipeline facility [,]" ["PIPELINE  
19 CARRIER," AND "PIPELINE FACILITY"] have the meanings given in  
20 AS 42.06.630.

21 \* **Sec. 43.** AS 42.05.711 is amended by adding a new subsection read:

22 (w) A liquefied natural gas import facility under the jurisdiction of the Federal  
23 Energy Regulatory Commission is exempt from this chapter.

24 \* **Sec. 44.** AS 42.06.140 is amended by adding new subsections to read:

25 (c) The commission shall regulate under AS 42.05 the service of natural gas  
26 and liquefied natural gas storage, including storage furnished by operating a natural  
27 gas storage facility that is part of a

28 (1) pipeline facility operated by a pipeline carrier; or

29 (2) natural gas pipeline facility operated by a natural gas pipeline  
30 carrier.

31 (d) In this section,

1 (1) "service of liquefied natural gas storage" means the operation of a  
2 liquefied natural gas storage facility; "service of liquefied natural gas storage" does  
3 not include the storage of liquefied natural gas

4 (A) owned by or contractually obligated to the owner, operator,  
5 or manager of the liquefied natural gas storage facility; or

6 (B) for which the price of storage is not separately itemized;

7 (2) "service of natural gas storage" means the operation of a natural  
8 gas storage facility primarily or exclusively for the benefit of third-party customers,  
9 and not for the benefit of the owner, operator, or manager of the natural gas storage  
10 facility; "service of natural gas storage" does not include the storage of natural gas

11 (A) owned by or contractually obligated to the owner, operator,  
12 or manager of the natural gas storage facility; or

13 (B) for which the price of storage is not separately itemized.

14 \* **Sec. 45.** AS 43.20.036 is amended by adding a new subsection to read:

15 (k) For purposes of calculating the income tax payable under this chapter, the  
16 taxpayer may not apply as a credit against tax liability the carbon oxide sequestration  
17 credit allowed as to federal taxes under 26 U.S.C. 45Q (Internal Revenue Code).

18 \* **Sec. 46.** AS 43.55.165(e) is amended to read:

19 (e) For purposes of this section, lease expenditures do not include

20 (1) depreciation, depletion, or amortization;

21 (2) oil or gas royalty payments, production payments, lease profit  
22 shares, or other payments or distributions of a share of oil or gas production, profit, or  
23 revenue, except that a producer's lease expenditures applicable to oil and gas produced  
24 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net  
25 profit paid to the state under that lease;

26 (3) taxes based on or measured by net income;

27 (4) interest or other financing charges or costs of raising equity or debt  
28 capital;

29 (5) acquisition costs for a lease or property or exploration license;

30 (6) costs arising from fraud, wilful misconduct, gross negligence,  
31 violation of law, or failure to comply with an obligation under a lease, permit, or

1 license issued by the state or federal government;

2 (7) fines or penalties imposed by law;

3 (8) costs of arbitration, litigation, or other dispute resolution activities  
4 that involve the state or concern the rights or obligations among owners of interests in,  
5 or rights to production from, one or more leases or properties or a unit;

6 (9) costs incurred in organizing a partnership, joint venture, or other  
7 business entity or arrangement;

8 (10) amounts paid to indemnify the state; the exclusion provided by  
9 this paragraph does not apply to the costs of obtaining insurance or a surety bond from  
10 a third-party insurer or surety;

11 (11) surcharges levied under AS 43.55.201 or 43.55.300;

12 (12) an expenditure otherwise deductible under (b) of this section that  
13 is a result of an internal transfer, a transaction with an affiliate, or a transaction  
14 between related parties, or is otherwise not an arm's length transaction, unless the  
15 producer establishes to the satisfaction of the department that the amount of the  
16 expenditure does not exceed the fair market value of the expenditure;

17 (13) an expenditure incurred to purchase an interest in any corporation,  
18 partnership, limited liability company, business trust, or any other business entity,  
19 whether or not the transaction is treated as an asset sale for federal income tax  
20 purposes;

21 (14) a tax levied under AS 43.55.011 or 43.55.014;

22 (15) costs incurred for dismantlement, removal, surrender, or  
23 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the  
24 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in  
25 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not  
26 excluded under this paragraph if the dismantlement, removal, surrender, or  
27 abandonment for which the cost is incurred is undertaken for the purpose of replacing,  
28 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

29 (16) costs incurred for containment, control, cleanup, or removal in  
30 connection with any unpermitted release of oil or a hazardous substance and any  
31 liability for damages imposed on the producer or explorer for that unpermitted release;

1 this paragraph does not apply to the cost of developing and maintaining an oil  
2 discharge prevention and contingency plan under AS 46.04.030;

3 (17) costs incurred to satisfy a work commitment under an exploration  
4 license under AS 38.05.132;

5 (18) that portion of expenditures, that would otherwise be qualified  
6 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that  
7 are less than the product of \$0.30 multiplied by the total taxable production from each  
8 lease or property, in BTU equivalent barrels, during that calendar year, except that,  
9 when a portion of a calendar year is subject to this provision, the expenditures and  
10 volumes shall be prorated within that calendar year;

11 (19) costs incurred for repair, replacement, or deferred maintenance of  
12 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is  
13 undertaken in response to a failure, problem, or event that results in an unscheduled  
14 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for  
15 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or  
16 equipment, other than a well, that is undertaken in response to, or is otherwise  
17 associated with, an unpermitted release of a hazardous substance or of gas; however,  
18 costs under this paragraph that would otherwise constitute lease expenditures under (a)  
19 and (b) of this section may be treated as lease expenditures if the department  
20 determines that the repair or replacement is solely necessitated by an act of war, by an  
21 unanticipated grave natural disaster or other natural phenomenon of an exceptional,  
22 inevitable, and irresistible character, the effects of which could not have been  
23 prevented or avoided by the exercise of due care or foresight, or by an intentional or  
24 negligent act or omission of a third party, other than a party or its agents in privity of  
25 contract with, or employed by, the producer or an operator acting for the producer, but  
26 only if the producer or operator, as applicable, exercised due care in operating and  
27 maintaining the facility, pipeline, structure, or equipment, and took reasonable  
28 precautions against the act or omission of the third party and against the consequences  
29 of the act or omission; in this paragraph,

30 (A) "costs incurred for repair, replacement, or deferred  
31 maintenance of a facility, a pipeline, a structure, or equipment" includes costs

1 to dismantle and remove the facility, pipeline, structure, or equipment that is  
2 being replaced;

3 (B) "hazardous substance" has the meaning given in  
4 AS 46.03.826;

5 (C) "replacement" includes renovation or improvement;

6 (20) costs incurred to construct, acquire, or operate a refinery or crude  
7 oil topping plant, regardless of whether the products of the refinery or topping plant  
8 are used in oil or gas exploration, development, or production operations; however, if  
9 a producer owns a refinery or crude oil topping plant that is located on or near the  
10 premises of the producer's lease or property in the state and that processes the  
11 producer's oil produced from that lease or property into a product that the producer  
12 uses in the operation of the lease or property in drilling for or producing oil or gas, the  
13 producer's lease expenditures include the amount calculated by subtracting from the  
14 fair market value of the product used the prevailing value, as determined under  
15 AS 43.55.020(f), of the oil that is processed;

16 (21) costs of lobbying, public relations, public relations advertising, or  
17 policy advocacy;

18 (22) costs incurred as part of a capital expenditure or other action taken  
19 for a carbon management purpose under AS 38.05.081 or a carbon offset project under  
20 AS 38.95.400 - 38.95.499;

21 **(23) costs incurred for carbon capture or carbon storage,**  
22 **including fees incurred under AS 41.06.160, surcharges incurred under**  
23 **AS 41.06.175, or costs associated with obtaining, operating, or maintaining a**  
24 **license or lease under AS 38.05.700 - 38.05.795; in this paragraph, "carbon**  
25 **capture" does not include gas processing or gas treatment.**

26 \* **Sec. 47.** AS 46.03.020 is amended to read:

27 **Sec. 46.03.020. Powers of the department.** The department may

28 (1) enter into contracts and compliance agreements necessary or  
29 convenient to carry out the functions, powers, and duties of the department;

30 (2) review and appraise programs and activities of state departments  
31 and agencies in light of the policy set out in AS 46.03.010 for the purpose of

1 determining the extent to which the programs and activities are contributing to the  
2 achievement of that policy and to make recommendations to the departments and  
3 agencies, including environmental guidelines;

4 (3) consult with and cooperate with

5 (A) officials and representatives of any nonprofit corporation or  
6 organization in the state;

7 (B) persons, organizations, and groups, public and private,  
8 using, served by, interested in, or concerned with the environment of the state;

9 (4) appear and participate in proceedings before any state or federal  
10 regulatory agency involving or affecting the purposes of the department;

11 (5) undertake studies, inquiries, surveys, or analyses it may consider  
12 essential to the accomplishment of the purposes of the department; these activities  
13 may be carried out by the personnel of the department or in cooperation with public or  
14 private agencies, including educational, civic, and research organizations, colleges,  
15 universities, institutes, and foundations;

16 (6) at reasonable times, enter and inspect with the consent of the owner  
17 or occupier any property or premises to investigate either actual or suspected sources  
18 of pollution or contamination or to ascertain compliance or noncompliance with a  
19 regulation that may be adopted under AS 46.03.020 - 46.03.040; information relating  
20 to secret processes or methods of manufacture discovered during investigation is  
21 confidential;

22 (7) conduct investigations and hold hearings and compel the  
23 attendance of witnesses and the production of accounts, books, and documents by the  
24 issuance of a subpoena;

25 (8) advise and cooperate with municipal, regional, and other local  
26 agencies and officials in the state, to carry out the purposes of this chapter;

27 (9) act as the official agency of the state in all matters affecting the  
28 purposes of the department under federal laws now or hereafter enacted;

29 (10) adopt regulations necessary to carry out the purposes of this  
30 chapter, including regulations providing for

31 (A) control, prevention, and abatement of air, water, or land or

1 subsurface land pollution;

2 (B) safeguard standards for carbon dioxide, petroleum, and  
3 natural gas pipeline construction, operation, modification, or alteration;

4 (C) protection of public water supplies by establishing  
5 minimum drinking water standards, and standards for the construction,  
6 improvement, and maintenance of public water supply systems;

7 (D) collection and disposal of sewage and industrial waste;

8 (E) collection and disposal of garbage, refuse, and other  
9 discarded solid materials from industrial, commercial, agricultural, and  
10 community activities or operations;

11 (F) control of pesticides;

12 (G) other purposes as may be required for the implementation  
13 of the policy declared in AS 46.03.010;

14 (H) handling, transportation, treatment, storage, and disposal of  
15 hazardous wastes;

16 (11) inspect the premises of sellers and suppliers of paint, vessels, and  
17 marine and boating supplies, and take other actions necessary to enforce  
18 AS 46.03.715;

19 (12) notwithstanding any other provision of law, take all actions  
20 necessary to receive authorization from the administrator of the United States  
21 Environmental Protection Agency to administer and enforce a National Pollutant  
22 Discharge Elimination System program in accordance with 33 U.S.C. 1342 (sec. 402,  
23 Clean Water Act), 33 U.S.C. 1345 (sec. 405, Clean Water Act), 40 C.F.R. Part 123,  
24 and 40 C.F.R. Part 403, as amended;

25 (13) require the owner or operator of a facility to undertake  
26 monitoring, sampling, and reporting activities described in 33 U.S.C. 1318 (sec. 308,  
27 Clean Water Act);

28 (14) notwithstanding any other provision of law, take all actions  
29 necessary to receive federal authorization of a state program for the department and  
30 the Department of Natural Resources to administer and enforce a dredge and fill  
31 permitting program allowed under 33 U.S.C. 1344 (sec. 404, Clean Water Act) and to

1 implement the program, if authorized.

2 \* **Sec. 48.** AS 42.05.990(10)(B) and 42.05.990(11)(B) are repealed.

3 \* **Sec. 49.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 LEGISLATIVE AUDIT DIVISION REPORT TO THE LEGISLATURE. The  
6 legislative audit division shall conduct an audit of carbon storage leases in the state under  
7 AS 38.05.700 - 38.05.795 and submit the audit to the senate secretary and the chief clerk of  
8 the house of representatives on or before January 1, 2033, and notify the legislature that the  
9 audit is available. The audit must include detailed fiscal information from each fiscal year,  
10 beginning with the fiscal year ending June 30, 2025, total revenues and costs to the state  
11 associated with carbon storage leases in each fiscal year, and recommendations to improve the  
12 carbon storage program.

13 \* **Sec. 50.** The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

15 TRANSITION: REGULATIONS. The Department of Natural Resources, the  
16 Department of Revenue, and the Alaska Oil and Gas Conservation Commission may adopt  
17 regulations necessary to implement the changes made by this Act. The regulations take effect  
18 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law  
19 implemented by the regulation.

20 \* **Sec. 51.** The uncodified law of the State of Alaska is amended by adding a new section to  
21 read:

22 REVISOR'S INSTRUCTION. The revisor of statutes is requested to change the  
23 chapter heading for AS 41.06 from "Geothermal Resources" to "Geothermal Resources and  
24 Carbon Storage."

25 \* **Sec. 52.** Section 50 of this Act takes effect immediately under AS 01.10.070(c).