

HB 50 Carbon Capture, Utilization, and Storage Sectional Analysis

House Resources Committee

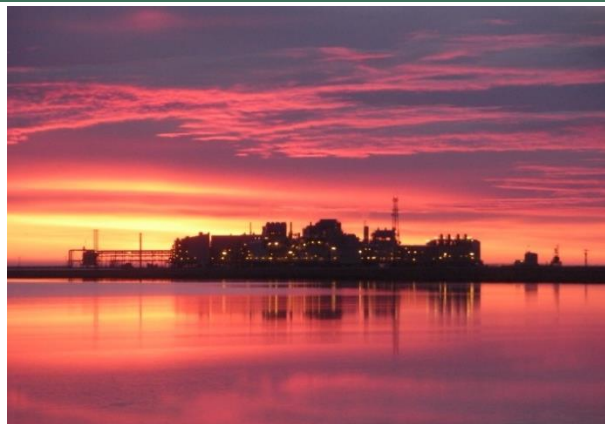


Presented by:

John Crowther, Deputy Commissioner

Aaron O'Quinn, Leasing Section Manager, Division of Oil & Gas

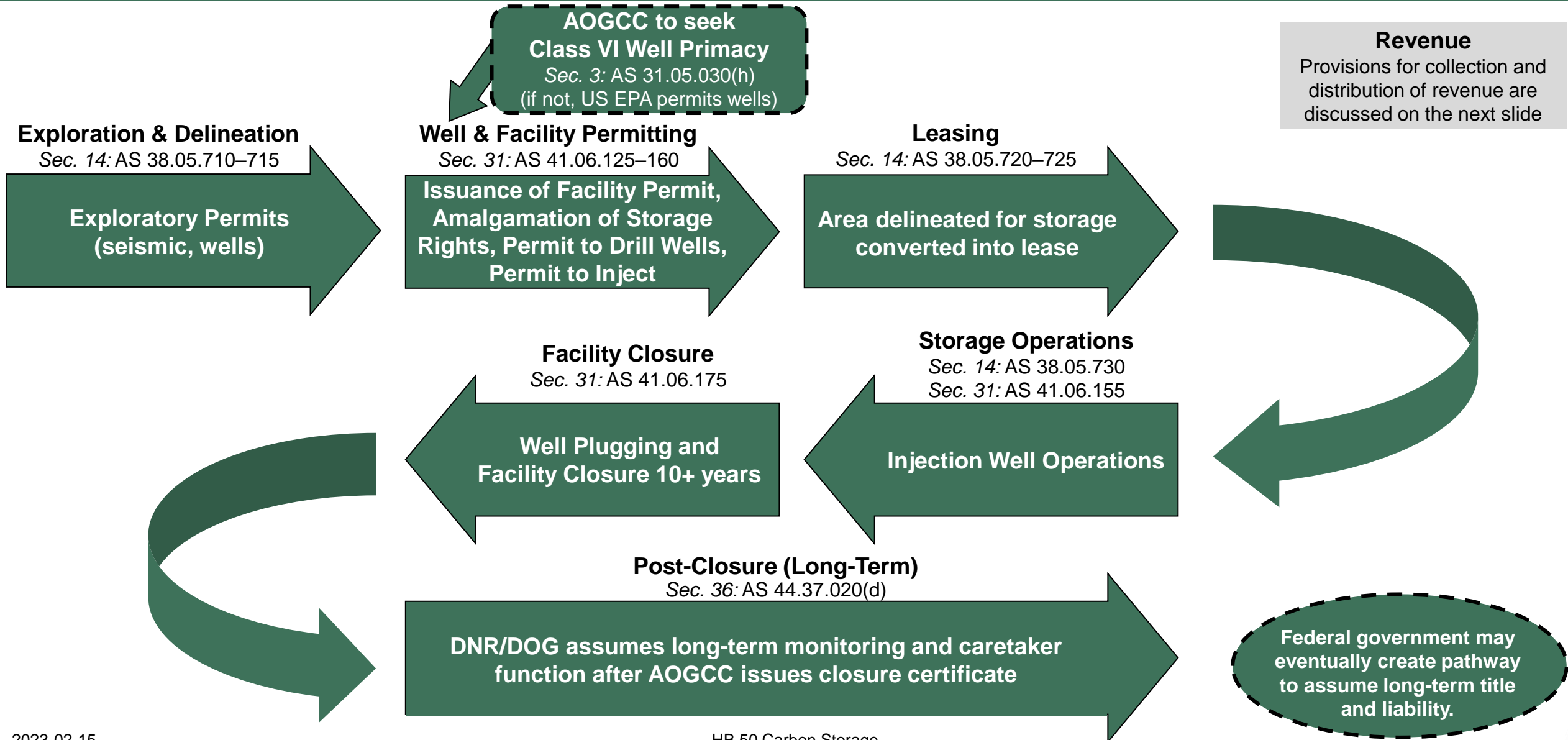
February 15, 2023



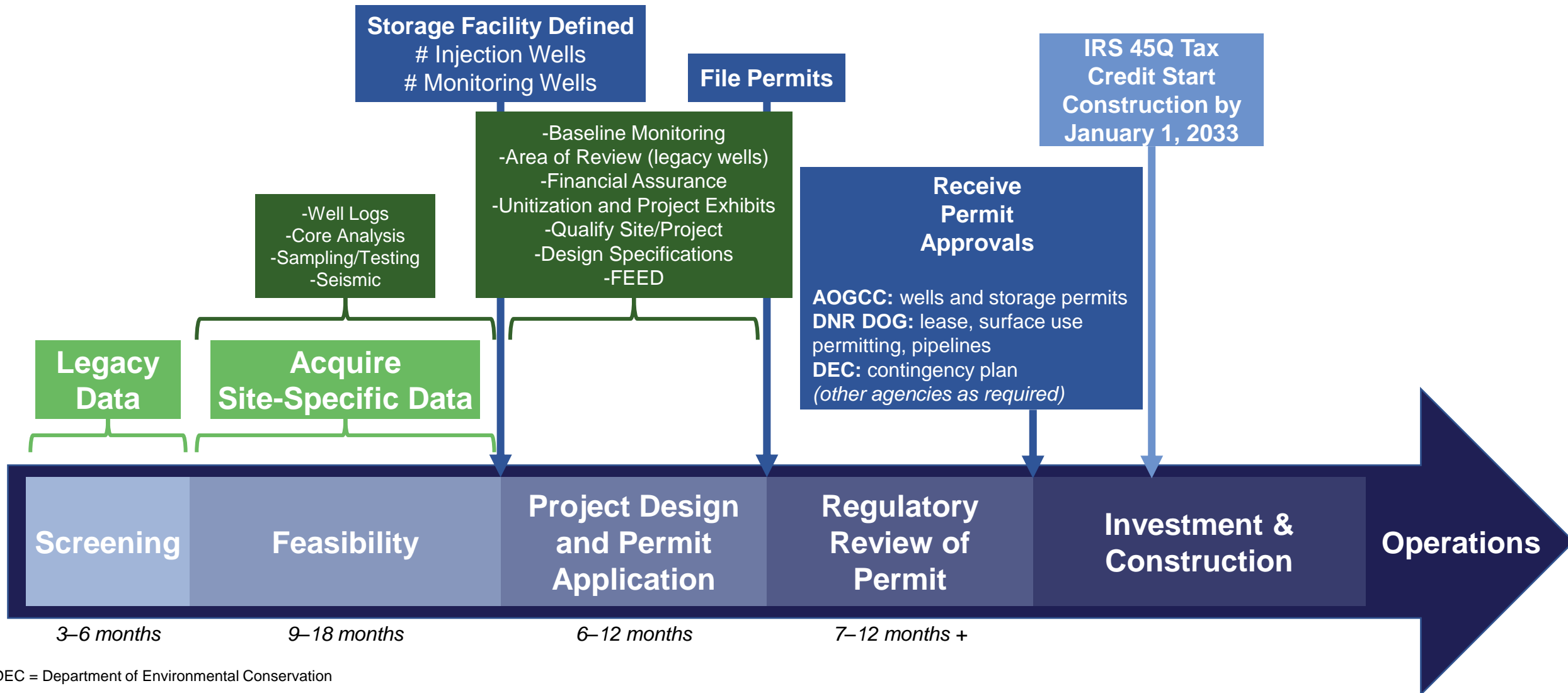


- **Summary of the Carbon Capture, Utilization, and Storage (CCUS) project process**
- **Funding collection and distribution**
- **High-level sectional summary**
- **Section 14 detail of Dept. of Natural Resources(DNR)/Division of Oil & Gas (DOG) statutes**
- **Sections 15–31 summary**
- **Section 31 detail of Alaska Oil and Gas Conservation Commission (AOGCC) statutes**
- **Sections 32–39 summary**

CCUS PROJECT PROCESS



CCUS PROJECT: HYPOTHETICAL TIMELINE



FUNDING: ADMINISTRATIVE FUND



- **Sec. 31: AS 41.06.165. Fees; carbon dioxide storage facility administrative fund**
 - Creates fund to cover AOGCC operating costs associated with oversight of carbon storage, like fees collected for oil and gas oversight
 - Intent is to ensure available funding for responsible oversight of carbon storage facilities. Balance is expected to be expended on a cash flow basis
 - Income account revenue sources:
 - Fees received under AS 41.06.165(a)
 - Fees received under AS 41.06.125 and 41.06.200
 - Earnings on the fund
 - Legislature must appropriate from the administrative fund for:
 - AOGCC operating expenses
 - Expenses incurred by cooperating agencies (e.g., DEC or DNR) supporting administration of carbon storage facilities

FUNDING: CLOSURE TRUST FUND



- **Sec. 4: AS 37.14.850. Carbon storage closure trust fund.**
 - Creates two accounts: *income* account and *operating* account
 - Intent: Not subject to annual fiscal sweep, ensures funding for closed storage sites after DNR takes title and liability
 - Income account revenue sources:
 - Payments received under AS 37.14.850(c)
 - AS 41.06.180 Carbon storage facility injection surcharge (*Bill* Sec. 31)
 - Amount set by AOGCC on issuance of storage facility permit
 - Based on anticipated expenses to be incurred post-closure phases
 - Earnings on the account
 - Legislature must appropriate from the income account and earnings to the operating account

FUNDING: DNR RENTS AND CHARGES



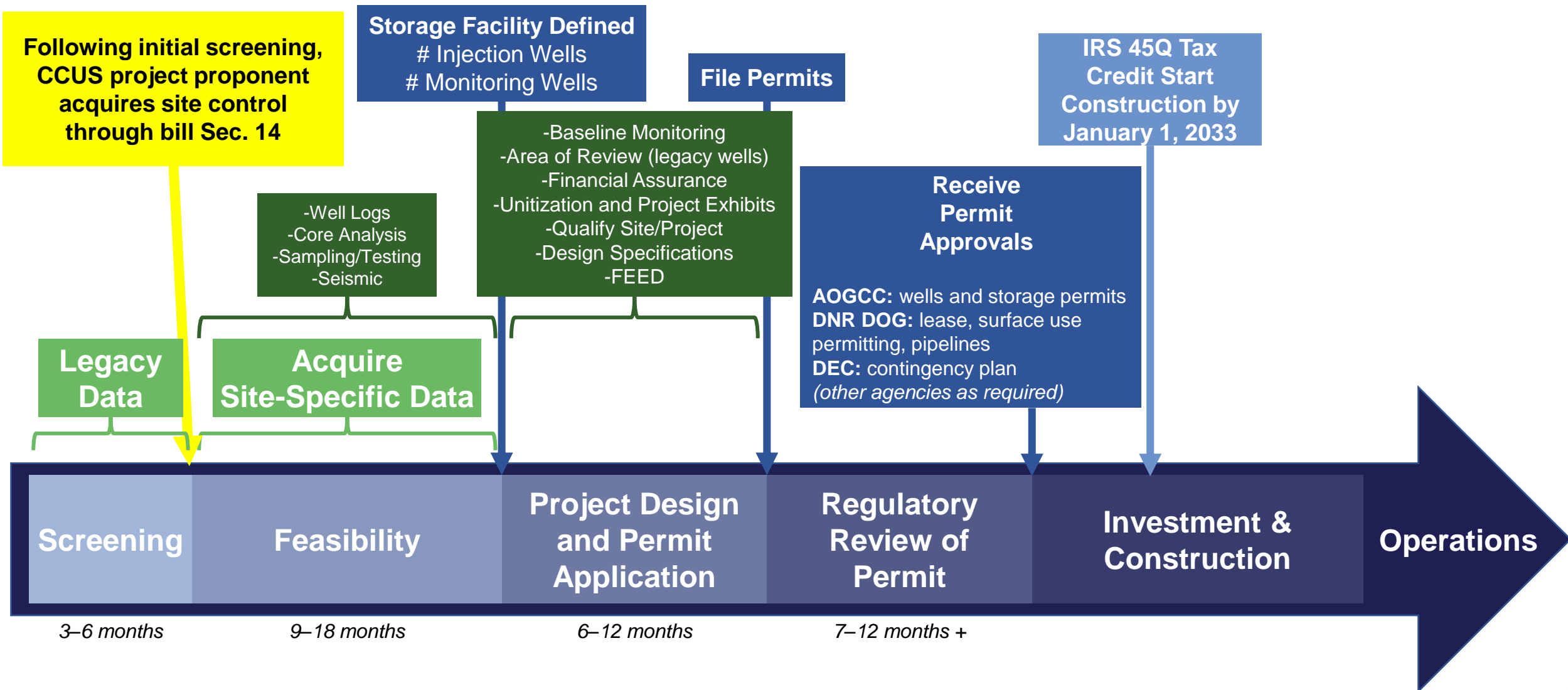
- **Secs. 9–11: AS 38.05.135(c)–(e)**
 - Incorporates authority to collect rents, royalties, and charges as is done with other mineral leasing
- **Sec. 14: proposed AS 38.05.710. Carbon storage exploration licensing**
 - Establishes a minimum rental rate of \$20 per acre
 - Establishes a minimum injection charge of \$2.50 per ton of carbon dioxide
- **Sec. 14: proposed AS 38.05.735. Payments from carbon storage exploration licenses and carbon storage leases**
 - 25% of revenue is deposited in the Alaska Permanent Fund (Art. IX, Sec. 15, Alaska Constitution)
 - Remaining revenue is deposited in the general fund

SECTIONAL SUMMARY



Section (Agency)	Summary
1	Short title of bill: Carbon Capture, Utilization, and Storage Act
2 (AOGCC)	Grants AOGCC jurisdiction to regulate carbon storage unit operations in the state like oil and gas (<i>bill</i> Sec. 14)
3 (AOGCC)	Authorizes AOGCC to seek primary enforcement authority for permitting and regulating Class VI injection wells for CO ₂
4 (DNR/AOGCC)	Creates Carbon Storage Closure Trust Fund to provide non-sweepable fund for post-closure operations of State agencies (<i>bill</i> Sec. 31, <i>proposed</i> AS 41.06.180)
5 (DNR)	Adds carbon storage (<i>bill</i> Sec. 14) to mineral estate disposal exemption for agricultural lands disposal in AS 38.05.069(e)
6 (DNR)	Adds carbon storage (<i>bill</i> Sec. 14) exemption to AS 38.05.070(a) for when state lands are leased for purposes other than extrication of natural resources
7 (DNR)	Adds carbon storage to provisions requiring lessees to pay damages to landowners and to post bonds for that purpose; and providing lessee access to access to the mineral estate if a surface owner refuses to engage in a surface use agreement; this is the same statutory process that exists for other mineral estate development of split estate created by AS 38.05.125
8–11 (DNR/DOG)	Adds carbon storage program (<i>bill</i> Sec. 14) to mineral leasing statutes under AS 38.05.135, primarily providing for revenue collection
12 (DNR)	Adds carbon storage provision to exemptions for coal bed methane under AS 38.05.180(gg) and unconventional gas under AS 38.05.180(ff) because carbon storage leasing might be possible on unmineable coal seams
13 (DNR)	Adds carbon storage leases to prohibition in the Kachemak Bay oil and gas closure area
14 (DNR/DOG)	Adds new sections to AS 38.05 <i>Alaska Land Act</i> as Article 15A (<i>Carbon Storage Exploration Licenses; Leases</i> . (proposed AS 38.05.700–795); detailed summary on next slide

CCUS PROJECT THEORETICAL TIMELINE



SECTION DETAIL: SECTION 14 (DNR/DOG)



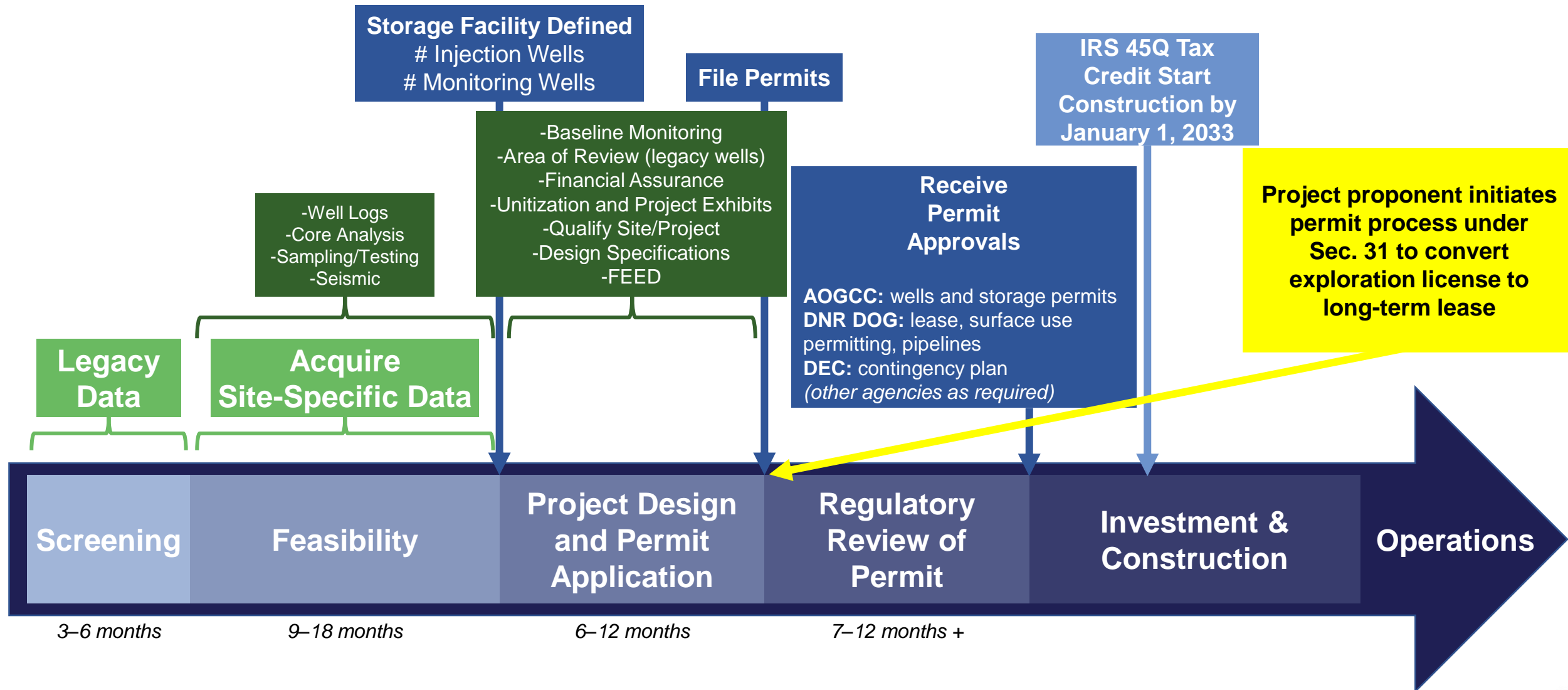
Proposed Section	Summary
AS 38.05.700	Policy statement that it is in the public interest to promote geologic storage of carbon dioxide
AS 38.05.705	Provision for applicability of carbon storage statutes and authority for DNR to adopt regulations to implement these statutes
AS 38.05.710	Allows the commissioner to issue carbon storage exploration licenses on state land and establishes work commitment obligations; minimum economic terms, the bonding required, default provisions, renewal provisions, and the escalation of minimum economic terms <ul style="list-style-type: none"> -5-year exploration license term -conversion of the license to a lease upon fulfillment of work commitment, acquiring storage facility permit from AOGCC, ability to meet commercial terms
AS 38.05.715	Procedures for issuing a carbon storage exploration license; these are modeled after existing procedures for oil and gas exploration licensing under AS 38.05.133 <ul style="list-style-type: none"> -ID land, minimum work commitment, economic terms, 90 days for competing proposals -written finding (including competitive process if competing proposals are submitted) -Subsection 715(h) provides a right-of-first-refusal opportunity for existing lessees under AS 38.05.135–181 (i.e., mineral lessees for coal, oil and gas, geothermal, or other exploitable minerals)
AS 38.05.720	Provision allowing conversion of an AS 38.05.715 carbon storage exploration license to a carbon storage lease
AS 38.05.725	An oil and gas lessee converting a Class II injection well to a Class VI injection well must also apply for a carbon storage lease
AS 38.05.730	Requirements for plans of development and operations, and provision for unitization, as with oil and gas leasing
AS 38.05.735	Payments from carbon storage licenses and leases are to be deposited in the general fund except for the amount allocated to the Permanent Fund under Art. IX, Sec. 15, of the Alaska Constitution
AS 38.05.795	Definitions for specific terms used in the proposed Article 15A (Carbon Storage Exploration Licences; Leases)

SECTIONAL SUMMARY: SECS. 15–31



Section (Agency)	Summary
15 (DNR/DOG)	Amends AS 38.35.020(a) to include carbon dioxide for pipeline transportation right-of-way (ROW) leasing purposes
16 (DNR/DOG)	Amends AS 38.35.020(b) to allow the DNR commissioner to exempt pipelines from ROW leasing when transporting carbon dioxide for enhanced oil recovery or pressure support
17 (DNR/DOG)	Conforming amendment to AS 38.35.122 to bring some carbon dioxide pipelines under the same title as “product” pipelines
18–20 (DNR/DOG)	Amends AS 38.35.230 definition of “lease,” “pipeline” or “pipeline facility,” and “transportation” to include provisions for carbon dioxide
21 (DNR/DOG)	Amends AS 38.35.230 to add a definition for “carbon dioxide” cross referencing the definition used in AS 38.05.795
22–30 (AOGCC)	Conforming amendments separates AS 41.06 into two articles – one for geothermal and one for carbon storage (AS 41.06.005–060)
31 (AOGCC)	Adds new sections to AS 41.06 as Article 2. <i>Carbon Dioxide Injection and Storage</i> , detailed summary on slide 15

CCUS PROJECT THEORETICAL TIMELINE



SECTION DETAIL: SECTION 31 (AOGCC)



Proposed Sections	Summary
AS 41.06.105	Contains a policy statement that it is in the public interest to inject carbon dioxide into oil and gas reservoirs in a manner protective of waters and reservoir integrity; recognizes that in the event cooperation of mineral interest holders in an area cannot be obtained, regulatory procedures that enable cooperative management are required
AS 41.06.110	Provides AOGCC jurisdiction over carbon dioxide storage facilities to prevent waste, protect correlative rights, and ensure public health and safety; “waste” is defined in AS 41.06.210
AS 41.06.115	<p>Concerns AOGCC's authority to carry out the purposes and intent of AS 41.06.105–210</p> <ul style="list-style-type: none"> (a) contains an expansive statement of AOGCC's jurisdiction over persons and property necessary to carry out the purposes and intent of AS 41.06.105–210 – the state’s police power (b) allows AOGCC to suspend its statutes as to lands committed to federal units, provided the conservation of resources is provided for (c) contains a list of specific AOGCC regulatory authorities (d) wells drilled for carbon dioxide are subject to AOGCC’s jurisdiction under AS 31.05 unless specifically covered by AS 41.06.105–210 (e) AS 41.06.105–210 do not limit DNR’s authority over (1) carbon storage exploration licensing or leasing; or (2) approval and management of carbon storage units or operations that include state land
AS 41.06.120	Provides that waste is prohibited in a carbon storage facility or reservoir

SECTION DETAIL: SECTION 31 (AOGCC)



Proposed Sections	Summary
AS 41.06.125	Provides permit requirements for storage facilities
AS 41.06.130	Creates a public hearing requirement for storage facility permits issued by AOGCC – notice is given to property owners within ½ mile
AS 41.06.135	Specifies the criteria for the AOGCC to approve a carbon storage facility permit
AS 41.06.140	Allows AOGCC to include parameters, limitations, or restrictions in a permit and to protect and adjust rights and obligations of persons affected by geologic storage
AS 41.06.145	Concerns amalgamation of property interests for storage facilities
AS 41.06.150	Creates specifications for recording a carbon storage facility certificate to put future property purchasers on notice
AS 41.06.155	Creates statutory requirements for AOGCC to ensure environmental protection and reservoir integrity in storage facilities and reservoirs
AS 41.06.160	Clarifies preservation of rights, including deconfliction of development of other minerals by drilling through or near a storage reservoir
AS 41.06.165	Provides authority for AOGCC to collect fees and establishes the “carbon dioxide storage facility administrative fund” under the general fund
AS 41.06.170	Specifies that storage operators hold title to injected carbon dioxide until a certificate is issued under AS 41.06.175, including liability for damage associated with injected carbon dioxide
AS 41.06.175	Specifies criteria for certificate of completion a transfer of title of CO ₂

SECTION DETAIL: SECTION 31 (AOGCC)



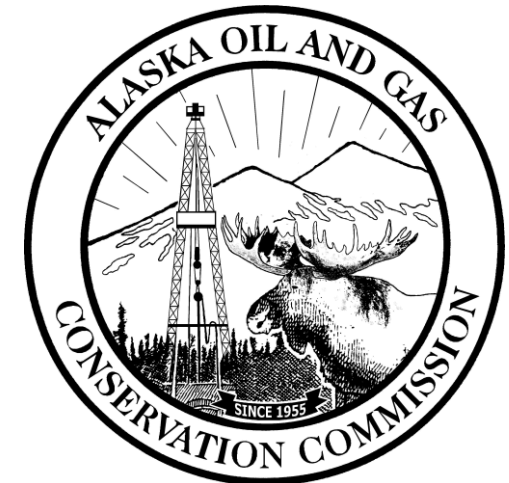
Proposed Section	Summary
AS 41.06.180	Provides authority for AOGCC to collect a “carbon storage facility injection surcharge” for post-closure administration to be deposited in the “carbon storage closure trust fund” established in AS 37.14.850 (<i>bill</i> Sec. 4)
AS 41.06.185	Provision for AOGCC to impose civil penalties for violations of its carbon storage statutes
AS 41.06.190	Excludes AOGCC’s carbon storage statutes from enhanced oil recovery (EOR), except for when an EOR-related reservoir is converted to a storage reservoir
AS 41.06.195	Authority for AOGCC to enter into agreements with other government entities and agencies for carbon storage purposes
AS 41.06.200	Authority for AOGCC to determine amounts for injection and storage, including EOR; provides for fees and applicability for credits and other carbon management goals
AS 41.06.210	Definitions for terms used in AOGCC’s carbon storage statutes

SECTIONAL SUMMARY: SECS. 32–39



Section (Agency)	Summary
32–35 (DNR/Parks)	<p>Conforming amendments to parks and recreational facilities laws (AS 41.21)</p> <ul style="list-style-type: none">• Wood-Tichik – excluded• Willow Creek – permitted• Kenai River Management Area – permitted• Alaska Chilkat Bald Eagle Preserve – excluded
36 (DNR/DOG)	<p>Adds new subsection AS 44.37.020(d) for DNR to administer storage facilities and stored carbon after certificate of completion is issued under proposed AS 41.06.175 (<i>bill</i> Sec. 31)</p>
37–39 (DNR/AOGCC)	<p>General provisions for authority to adopt regulations, title change for chapter AS 41.06, and effective date of the legislation</p>

QUESTIONS?



Joe Byrnes
Legislative Liaison, Department of Natural
Resources
907-465-4730
Joe.Byrnes@alaska.gov