

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 2, 2004

3:30 p.m.

TAPE(S) 04-5

MEMBERS PRESENT

Senator Scott Ogan, Chair
Senator Thomas Wagoner, Vice Chair
Senator Fred Dyson
Senator Ralph Seekins
Senator Kim Elton
Senator Georgianna Lincoln

MEMBERS ABSENT

Senator Ben Stevens

COMMITTEE CALENDAR

HOUSE CONCURRENT RESOLUTION NO. 10

Relating to restoration of riparian habitat that is vital to the fisheries resources of the state.

HEARD AND HELD

HOUSE BILL NO. 98

"An Act relating to sport fishing seasons and areas for persons under 16 years of age."

MOVED HB 98 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 196(RES)

"An Act relating to carbon sequestration; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HCR 10

SHORT TITLE: RESTORATION OF RIPARIAN HABITAT

REPRESENTATIVE(S): WOLF

02/28/03	(H)	READ THE FIRST TIME - REFERRALS
02/28/03	(H)	FSH, RES

04/04/03 (H) FSH AT 8:30 AM CAPITOL 124
 04/04/03 (H) Moved Out of Committee
 04/04/03 (H) MINUTE(FSH)
 04/07/03 (H) FSH RPT 4DP 1NR
 04/07/03 (H) DP: OGG, WILSON, SAMUELS, SEATON;
 04/07/03 (H) NR: GUTTENBERG
 04/25/03 (H) RES AT 1:00 PM CAPITOL 124
 04/25/03 (H) -- Meeting Postponed to Mon. April 28 -
 -
 04/30/03 (H) RES AT 1:00 PM CAPITOL 124
 04/30/03 (H) MINING:INFRASTRUCTURE FUND/WATER
 STANDARD
 05/02/03 (H) RES AT 1:00 PM CAPITOL 124
 05/02/03 (H) -- Meeting Canceled --
 05/05/03 (H) RES AT 1:00 PM CAPITOL 124
 05/05/03 (H) Moved Out of Committee
 05/05/03 (H) MINUTE(RES)
 05/06/03 (H) RES RPT 6DP 1NR
 05/06/03 (H) DP: LYNN, GATTO, MORGAN, MASEK,
 05/06/03 (H) HEINZE, FATE; NR: WOLF
 05/08/03 (H) TRANSMITTED TO (S)
 05/08/03 (H) VERSION: HCR 10
 05/09/03 (S) READ THE FIRST TIME - REFERRALS
 05/09/03 (S) RES
 05/14/03 (S) RES AT 3:30 PM BUTROVICH 205
 05/14/03 (S) -- Meeting Canceled --
 05/16/03 (S) RES AT 3:30 PM BUTROVICH 205
 05/16/03 (S) Heard & Held
 05/16/03 (S) MINUTE(RES)
 01/21/04 (S) RES AT 3:30 PM BUTROVICH 205
 01/21/04 (S) <Bill Hearing Postponed>
 02/02/04 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 98

SHORT TITLE: SPORT FISHING SEASONS FOR YOUTH

REPRESENTATIVE(s): SAMUELS

02/14/03 (H) READ THE FIRST TIME - REFERRALS
 02/14/03 (H) FSH, RES
 03/28/03 (H) FSH RPT 6DP
 03/28/03 (H) DP: OGG, HEINZE, WILSON, SAMUELS,
 03/28/03 (H) GUTTENBERG, SEATON
 03/28/03 (H) FSH AT 8:30 AM CAPITOL 124
 03/28/03 (H) Moved Out of Committee
 03/28/03 (H) MINUTE(FSH)
 04/09/03 (H) RES AT 1:00 PM CAPITOL 124
 04/09/03 (H) Moved Out of Committee

04/09/03 (H) MINUTE(RES)
04/10/03 (H) RES RPT 8DP
04/10/03 (H) DP: LYNN, GATTO, MORGAN, MASEK, WOLF,
04/10/03 (H) KERTTULA, GUTTENBERG, FATE
04/14/03 (H) TRANSMITTED TO (S)
04/14/03 (H) VERSION: HB 98
04/15/03 (S) READ THE FIRST TIME - REFERRALS
04/15/03 (S) RES
02/02/04 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 196

SHORT TITLE: CARBON SEQUESTRATION

REPRESENTATIVE(S): BERKOWITZ

03/14/03 (H) READ THE FIRST TIME - REFERRALS
03/14/03 (H) RES, FIN
05/09/03 (H) RES AT 8:00 AM CAPITOL 124
05/09/03 (H) Scheduled But Not Heard
05/12/03 (H) RES AT 1:00 PM CAPITOL 124
05/12/03 (H) Heard & Held
05/12/03 (H) MINUTE(RES)
05/14/03 (H) RES AT 8:00 AM CAPITOL 124
05/14/03 (H) Scheduled But Not Heard
05/16/03 (H) RES RPT CS(RES)FORTHCOMING 4DP 1DNP 2NR
05/16/03 (H) DP: HEINZE, GUTTENBERG, CISSNA, FATE;
05/16/03 (H) DNP: WOLF; NR: MORGAN, GATTO
05/16/03 (H) FIN REFERRAL WAIVED
05/16/03 (H) RES AT 1:00 PM CAPITOL 124
05/16/03 (H) Moved CSHB 196(RES) Out of Committee
05/16/03 (H) MINUTE(RES)
05/16/03 (H) FIN AT 1:30 PM HOUSE FINANCE 519
05/16/03 (H) Scheduled But Not Heard
05/17/03 (H) CS(RES) RECEIVED
05/17/03 (H) TRANSMITTED TO (S)
05/17/03 (H) VERSION: CSHB 196(RES)
05/17/03 (S) READ THE FIRST TIME - REFERRALS
05/17/03 (S) RES
02/02/04 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

Representative Kelly Wolf
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of HCR 10.

Representative Ralph Samuels

Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 98.

Mr. Bob Bentz, Deputy Director
Division of Sport Fish
Department of Fish & Game
PO Box 25526
Juneau, AK 99802-5226
POSITION STATEMENT: Supports HB 98.

Representative Ethan Berkowitz
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 196.

Mr. Tim King, Director
Carbon Technology Transfer Center
State of Washington
POSITION STATEMENT: Supports HB 196.

Mr. Chris Maisch, Regional Forester
Division of Forestry
Department of Natural Resources
400 Willoughby Ave.
Juneau, AK 99801-1724
POSITION STATEMENT: Commented on HB 196.

ACTION NARRATIVE

TAPE 04-5, SIDE A

CHAIR SCOTT OGAN called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present were Senators Wagoner, Dyson, Seekins, Elton and Chair Ogan. The first order of business to come before the committee was HCR 10.

^#HCR10

HCR 10-RESTORATION OF RIPARIAN HABITAT

CHAIR SCOTT OGAN announced HCR 10 to be up for consideration.

REPRESENTATIVE KELLY WOLF, sponsor, said HCR 10 basically supports habitat throughout the state of Alaska. He explained:

Residents of Alaska are dependent on the fisheries resource of the state for consumptive uses and a

source of income as well as enjoyment of fishing. Riparian habitat is a vital key to maintaining the fisheries as a healthy resource. State and federal agencies are charged with keeping Alaska's waters clean, fishable and drinkable.

The state benefits by partnering with non-profit organizations. Local community involvement helps promote the awareness, stewardship and public education about this riparian habitat. Support from private organizations and corporate funding sources for restoration projects will help the state find new sources to restore riparian habitat.

REPRESENTATIVE WOLF said that Alaska, with a nearly \$28 billion Permanent Fund that owns stock in 2,000 American and 1,000 overseas corporations, is in a unique position to encourage corporations to work with community groups and non-profit organizations throughout Alaska to help protect one of Alaska's greatest resources.

SENATOR GEORGIANNA LINCOLN arrived at 3:35 p.m.

SENATOR KIM ELTON pointed out that this resolution has a resolve clause and asked why it is not addressed to anyone, like the Alaska Department of Fish and Game (ADF&G), for instance.

REPRESENTATIVE WOLF replied that getting state and federal agencies to work together has always been a contentious enterprise. The idea he is putting forward is that organizations and communities can take it upon themselves to encourage cooperation.

SENATOR ELTON retorted, "The way you encourage people is to let people know what you've said and we're not doing that. I find it odd."

CHAIR OGAN asked Senator Elton if he wanted to offer an amendment.

SENATOR ELTON replied that at this point, he might inadvertently leave out someone who should be notified.

CHAIR OGAN asked Representative Wolf if he would consider an amendment. He indicated that he would and he would start by including all federal and state agencies that are responsible for resource management.

SENATOR DYSON supported Senator Elton's remarks and felt that because of the tenor of the resolution, all the advocacy groups should be included, too.

SENATOR WAGONER inserted that the Kenai River Center might have a complete list of relevant groups.

SENATOR SEEKINS wanted to know the scope of what is considered to be riparian habitat.

REPRESENTATIVE WOLF replied:

Riparian habitat is an area that remains wet through the normal tidal change and the issue of habitat...is that that is affected by [indisc.] mean high and down below. Watershed is from the top of the mountain to ordinary high water.

SENATOR RALPH SEEKINS said the resolution doesn't refer to the watershed, but the streams and the marshes that feed into the streams.

REPRESENTATIVE WOLF agreed.

SENATOR SEEKINS asked him for an example of a habitat restoration practice that would be beneficial to anadromous fish streams.

REPRESENTATIVE WOLF replied that restoration techniques have been around for a hundred years and vary from Indonesian coconut fiber logs to straw logs and burlap soil bags, replanting of compatible vegetation, willow wraps, sod layers and more.

SENATOR SEEKINS asked if anything in habitat restoration conflicts with other uses of the water column, i.e. rafting, canoeing, boating, etc.

REPRESENTATIVE WOLF replied that 555,000 angler days occur on the Russian River annually and the U.S. Forest Service has built elevated walkways to allow access to and along the river. The most common restoration technology for simply directing traffic is just planting willows along the walkways.

SENATOR SEEKINS said the City of Fairbanks just had a hearing on a proposed Department of Natural Resources (DNR) management plan for the Upper Chena River, which limited the number of boats and

restricted certain historical accesses to the river and other recreational activities. He asked since the Upper Chena is an anadromous fish stream, would his proposal interfere with historical uses.

REPRESENTATIVE WOLF replied no and explained that habitat restoration is a method of restoring what has been damaged. State agencies are very attuned to the fact that people live there, too.

SENATOR SEEKINS noted that the meeting on the Upper Chena was probably one of the most contentious and well-attended meetings he had seen in years.

CHAIR OGAN said that HCR 10 would be held for further work.
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3:55 - 3:58 - at ease

^#HB98

HB 98-SPORT FISHING SEASONS FOR YOUTH

CHAIR SCOTT OGAN announced HB 98 to be up for consideration.

REPRESENTATIVE RALPH SAMUELS, sponsor, said HB 98 would allow the Board of Fisheries to open a fishery for youth [16 years and under] only. Presently, the only way participation in a fishery can be limited is to designate it for "seniors only." Last session, a "take your son or daughter hunting day" was established and this measure is similar to that. He noted that Campbell Creek [an urban area in his Anchorage district] has a very small run of King salmon that could be used for this purpose. The Alaska Department of Fish and Game (ADF&G) does not want to open it up to just everyone. He had not heard of any opposition to this bill and stated that ADF&G, the Board of Fisheries, and the Alaska Outdoor Council support it. He pointed out that HB 98 doesn't mandate anything, but simply makes the proposal available.

SENATOR THOMAS WAGONER said he knows of an aquaculture association that had to destroy a lot of red salmon smolt and he suggested in the future putting smolts into some lakes without outlets and restricting them to fishing by young people only.

SENATOR KIM ELTON pointed out that language on page 1 limits fishing for youth to sport fishing, which is not exactly the same language as that used for 60 and older, which says, "to

participate in sport, personal use or subsistence fishing." He asked what the reasoning was behind that.

REPRESENTATIVE SAMUELS explained that 16 year olds currently don't need a fishing license and he didn't want to complicate the issue. Furthermore, he was just aiming at a recreational activity rather than filling the freezer.

SENATOR GEORGIANNA LINCOLN noted that some small communities in her district would benefit from this program even though they are not considered urban and clarified that this measure would apply statewide.

REPRESENTATIVE SAMUELS responded that it is open to anyone in the state who wants to take a proposal to the Board of Fisheries.

CHAIR OGAN tried to come up with a way someone could scam the proposal.

REPRESENTATIVE SAMUELS helped by saying the only thing he came up with is that people might cheat on their age, but added that they might do that now, anyway.

SENATOR SEEKINS relayed that some people have traditionally hunted along a certain Alaskan river and can't do it now because of the heavy traffic associated with youth hunters from places as far away as Kodiak. He wondered if a family with four kids could have any potential conflicts with traditional users that might "boil over" with designated youth fishing.

REPRESENTATIVE SAMUELS replied that unlike hunting, which can be limited by the number of moose or caribou in a district, fishing could be limited to a number of hours. If there were conflicts or people taking advantage of the situation, the Board could discontinue the program. He thought the advantages of the program outweigh any possible downside, particularly with fishing [as opposed to hunting].

SENATOR WAGONER noted that the term "snagging fish" does not involve good sportsmanship and emphasized, "The last thing I want to see is setting up a snagging area..."

MR. BOB BENTZ, Deputy Director, Division of Sport Fish, Department of Fish & Game (ADF&G), supported HB 98 and said it has a zero fiscal note. Kids under 16 years currently don't have to buy a license and this bill would set up separate fishing

times and areas for kids only. It does not allow the board to modify methods and means or alter existing bag and possession limits. He assured the committee that the department would stop any abuses that could arise by closing the area and submitting a proposal to the Board of Fisheries to repeal that regulation.

CHAIR OGAN asked him where he would recommend the board create a special opening or area.

MR. BENTZ replied that the department would wait for the public to come forward with proposals to the board, which they have done almost every year. From a conservation standpoint, he would try to funnel the times and areas to stocked waters. He did not envision using waters with wild stocks, especially where conservation concerns already exist.

SENATOR ELTON asked what time period the board would consider Interior fisheries issues in case the regulations need to be repealed.

MR. BENTZ explained that normally the board takes up any one area of the state every three years. However, an "Agenda Change Request" could be filed by anyone to take up a specific issue out of cycle and biological problems are high on their list of exceptions. An area could be closed with an emergency order by ADF&G, as well.

SENATOR ELTON asked how the department would deal with a proposed regulation for an under-16 youth King salmon derby because King salmon are on a quota system and are allocated, as well, between the sport and commercial fisheries. In Southeast Alaska, two out of every three King salmon that are caught on sport gear are caught by non-residents. He also asked if the catch is further divided by a derby situation, would the department recommend that is not a good idea.

MR. BENTZ responded under that scenario, the department would come up with its best estimate of what participation levels might occur and what the harvest might be and present those figures to the Board of Fisheries. The department would also point out allocation impacts that could occur, but the board would make the final decision.

SENATOR SEEKINS asked if he would suggest an area for youth fishing in an already heavily used area.

MR. BENTZ replied no, but that would be a criterion that the board would identify immediately.

SENATOR SEEKINS asked him which areas submitted proposals with concerns about crowded fishing conditions.

MR. BENTZ replied Ship Creek in downtown Anchorage [indisc.].

CHAIR OGAN closed discussion on HB 98.

SENATOR WAGONER moved to pass HB 98 from committee with individual recommendations and a zero fiscal note. There were no objections and it was so ordered.

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4:20 - 4:22 - at ease

^#HB196

HB 196-CARBON SEQUESTRATION

CHAIR SCOTT OGAN announced HB 196 to be up for consideration.

REPRESENTATIVE ETHAN BERKOWITZ, sponsor of HB 196, said he considers this to be a knowledge bill and explained that it doesn't commit Alaska to do anything, but puts the state in the position of asking questions, i.e., should we participate in a carbon sequestration market and what resources could be brought to bear. Carbon sequestration is an emerging market and one that President Bush supports [incidentally]. This technology offers great promise of significantly reducing greenhouse gas emissions - the spruce beetle kill on the Kenai Peninsula could be cut down and replanted with productive forests, for example. BP Alaska is already investigating the benefits of injecting carbon dioxide deep into the earth to make production of heavy oil easier [by creating a type of effervescence].

TAPE 04-5, SIDE B

REPRESENTATIVE BERKOWITZ said that the Chicago Carbon Exchange recently opened and is trading carbon at \$1 per ton, but it can range up to \$40 per ton. At that price, Alaska could develop a market of about \$500 million.

CHAIR OGAN asked who comes up with the money.

REPRESENTATIVE BERKOWITZ replied that the carbon is a commodity and just like people purchase the oil and gas we produce, people will pay to sequester their carbon here.

In essence, if they want to pollute somewhere else in the world, they will pay for us to catch that carbon here. The idea is that there be a net zero in terms of carbon emissions.

CHAIR OGAN said that Alaska's trees already do that and asked if Alaska is going to get money all of a sudden by having them as assets.

REPRESENTATIVE BERKOWITZ replied yes, if Alaska actively engages in reforestation. Some trees are better at collecting carbon than others and soil inventories are critical. Capturing carbon and injecting it deep into the ground is another way of taking advantage of the process. This is an emerging industry with a lot of new technologies.

SENATOR THOMAS WAGONER said that one of his constituents was actively reforesting spruce bark beetle kill areas on the Kenai Peninsula, but told him that President Bush had cut the funding for the program. He hoped that maybe carbon credits could help replace the funding for reforestation there.

CHAIR OGAN said he still was confused and asked if U.S. taxpayers were going to pay the bill.

REPRESENTATIVE BERKOWITZ replied that Tim King, Director, Carbon Technology Transfer Center in Washington State, was better qualified to answer that.

MR. TIM KING, Director, Carbon Technology Transfer Center, Washington State, said he had been with the United States Department of Agriculture for the past 26 years and his last position was running a carbon technology transfer center in the western United States. He maintains that office and has assisted Hawaii, Alaska, Canada, to name a few, in putting together carbon sequestration programs. He has helped power companies that are building new electrical generation plants and [as part of their permitting process] to find ways of offsetting increased emissions of carbon dioxide without physically installing equipment. Ten years ago, power companies would pay about \$2 per ton for reforestation projects and get carbon credits for the trees that would otherwise not be planted. He said further:

We've continued on with that and looked at forest management, thinning, keeping healthy forests, doing fuel load reduction projects, energy projects, turning excess residue or biomass from the forest into energy. All those create various types of carbon credits - some - where you sequester the carbon start in the trees or in the soils, some - where you prevent the release of carbon by protecting the forest against the forest fire or using that material to create renewable energy sources that offset emissions from using fossil fuels. So, that there's a whole group of carbon credit interest out there. Currently the rest of the world is dealing with carbon credits. Therefore, BP Amoco, Shell, Texaco, Exxon [indisc.] the oil companies who are international in nature have carbon credit divisions within each one of their companies - they are out looking and dealing in carbon credits already. Here in the U.S. where we haven't taken an official policy, it's kind of a hit and miss market - since we don't have actual legislation that puts any mandates to it.

CHAIR OGAN asked if anyone was paying anyone any money to do this.

MR. KING replied that Washington State received \$500,000 for landowners to replant trees for \$100 to \$200 an acre. Seattle City Light wants to purchase carbon offsets and the Oregon Climate Trust was established by the legislature to purchase carbon offsets for new fossil fuel electric production plants and relicensing of old ones. Michael Walsh and Richard Sandor with the Chicago Board of Trade created the Chicago Climate Exchange which exchanges and markets carbon credits. It has partners such as BP Amoco, a lot of the major electrical companies and Ford. Sydney, London and Tokyo have carbon markets. Carbon credits in Europe exchange for around \$3 - \$4 per credit. Credits traded through the Chicago Board, which no one is verifying, registering or following up on are going for about 95 cents per ton.

SENATOR WAGONER asked if wetlands could be filled in under this program by reclaiming and reestablishing an equal number of acres of wetland somewhere else.

MR. KING replied that is right; it's a mitigation program. Montana has a program like that for its highway construction that went through wetlands.

SENATOR WAGONER asked how the number of credits is established.

MR. KING replied:

A credit is one ton of CO₂. So, whether you emit a ton of CO₂ or sequester a ton of CO₂, the Kenai Peninsula is basically white spruce and in that area, probably with the rainfall and the types of forest, you probably sequester one ton of carbon per acre per year, but that goes on for the life of the tree. As long as it's being managed, it continues to sequester that one ton over and over again.

CHAIR OGAN quipped, "Maybe this program would get us to cut down dead trees and get us to plant live ones."

MR. KING responded:

That's exactly what it would do...The opportunity is that the dead trees are going to catch fire and burn. There's probably 100 to 200 tons per acre of dead wood material there. If it burns up, all that CO₂ goes into the air. If you could utilize that - use any of the wood - turn it into buildings, house logs, whatever, or turn it into energy - and that's one of the big projects we're working on - is to gasify cellulous and wood waste and turn it into natural gas or other bio-fuels and bio-chemicals. That would be a carbon credit for utilizing that material; there would be a carbon credit for it not going up and being burned, there would be a carbon credit for replanting the ground and getting it back into trees.

4:37 p.m.

SENATOR RALPH SEEKINS asked if Alaska would be rewarded for creating new methods of carbon sequestration or we be able to sell carbon sequestration based on the current carbon exchange through photosynthesis the state has now.

MR. KING replied:

If you've got hundreds of millions of acres of stagnated overstocked trees; if you go in there and thin those out and do [indisc.] reduction and get them back to healthy and productive, that's where you get your credits. It's change from a current condition to management. So, it basically encourages the management of a healthy sustainable forest.

REPRESENTATIVE BERKOWITZ added that the northern villages might be weaned off of power cost equalization by converting from diesel based energy generation to using some of the local woods for energy. That would allow Alaska to sell more carbon credits and put some people to work along with active reforestation. He explained a credit is gained for shifting from diesel-based energy to wood based energy and if the newly replanted forest absorbs more carbon than the old forest, even more credits are gained.

SENATOR SEEKINS asked if a debit is incurred anywhere in the process due to harvest.

MR. KING explained that a debit could happen depending on the type of forest management that is undertaken. If, for instance, the forest management is extractive, there could be a deficit. He believed that the idea of carbon credits would promote better forest management, but it wouldn't preclude a person from clear cutting and putting in a parking lot.

At this point in time, nobody has been assessed a fine for losing [agriculture] or forest-based carbon, but I see that could be in the future.

SENATOR SEEKINS followed up by asking how many new trees he would have to plant to come up with \$450 million.

MR. KING estimated that 200 tons of new carbons could be sequestered on one acre of replanted trees at \$800 per acre using \$4 per ton over a 20-year life span.

REPRESENTATIVE BERKOWITZ added that it all depends on the price of the carbon credit. If the credit goes to \$40 per ton, less acreage would be needed. "It's a potential resource that Alaska has and the more we know about it, the better able we are to make good quality decisions."

SENATOR SEEKINS asked if Alaska signs up for the program, would the commitment be continuing or binding.

REPRESENTATIVE BERKOWITZ replied, "With this bill, there are no commitments that the state will take any action."

SENATOR ELTON asked if grant funds are available for research on carbon sequestration.

MR. KING replied that the State of Washington is doing a study on the potential of this industry and it received \$3.5 million from the Department of Energy and several oil and energy companies to assess the potential in the state. Washington, Oregon, California, Arizona and Alaska jointly received \$1.6 million to do a cursory review of carbon sequestration, specific to state owned lands.

REPRESENTATIVE BERKOWITZ said he has an amendment that conditions an action from the Department of Natural Resources or the Department of Environmental Conservation upon the receipt of a grant either from the federal government or from private sources.

CHAIR OGAN said he wanted to hold the bill over before any amendments were discussed.

SENATOR SEEKINS said he wouldn't object to saying that Alaska is looking into the market in the findings section, but he felt uneasy adopting findings that he didn't know were based on any scientific basis.

SENATOR ELTON said he was surprised that HB 196 went through the other body without a fiscal note and that the ones this committee received came in late. He wanted to know why one of the fiscal notes indicated that one department's personnel costs would be twice as much as the other and why only general fund dollars were identified.

MR. CHRIS MAISCH, Division of Forestry, Department of Natural Resources (DNR), said Senator Elton was referring to a fiscal note from the Department of Environmental Conservation (DEC) that he hadn't seen. The fiscal note from DNR indicated that implementation of the bill before them would cost \$91,600 for the first year and \$82,600 for the second year to fully complete the study as charged. There are potential federal funds and private sources of funds available.

CHAIR OGAN asked Mr. Maisch to investigate what pools of money would be available and report back to the committee.

SENATOR WAGONER asked Mr. Maisch if he had heard that President Bush had not funded reforestation on the Kenai Peninsula.

MR. MAISCH replied that he would have to defer that answer to the state forester but, as far as he knew, the Kenai reforestation program was still being funded at past levels.

CHAIR OGAN asked if he agreed with the premise that Alaska could get private sector money for credits to do a better job of managing its forests. He also asked if mature slow-growing old growth trees do not sequester as much carbon as vigorous young growth.

MR. MAISCH answered that is correct.

CHAIR OGAN asked if logging off some old growth timber in Southeast Alaska would be good for the environment - as far as carbon sequestration goes.

MR. MAISCH replied that the total balance would have to be evaluated. Large trees sequester a lot of carbon in solid wood. So, part of the equation would be how that wood is utilized and actively growing young stands of trees sequester carbon at a much faster rate than old growth trees.

SENATOR FRED DYSON asked how he envisioned using the oceans to sequester carbon in the future.

MR. MAISCH replied that he hadn't investigated what opportunities lay in that arena. His focus was on terrestrial applications of carbon sequestration.

SENATOR ELTON asked if he felt this was a project the state should do assuming funding was in place.

MR. MAISCH replied that he only wanted to express the technical aspects of the project, but not support it one way or the other.

SENATOR WAGONER asked if Alaskans who are generating carbon now could somehow participate in sequestration.

MR. KING responded that in Washington the people who wanted to see the project move forward put up \$.5 million to assess 5,000 acres. Someone wanting to purchase carbon credits would probably be interested in funding work in Alaska.

SENATOR WAGONER asked who exactly was participating in that program.

MR. KING replied, just to show that carbon sequestration could be done anywhere, he had landowners from every category participating. Funding came from the Pacific Corporation, a conglomerate of power producers and distributors headquartered in Portland, Oregon, and Tenaska in Omaha, Nebraska.

MR. MAISCH added that about four years ago the Alaska Reforestation Council published a report entitled Reforestation Needs and Opportunities for Carbon Sequestration in Alaska and at that time, the American Electric Power Company (AEPC) proposed to plant 1,000 acres of spruce beetle kill land on the Kenai Peninsula. Planting the 1,000 acres was estimated to cost \$1.70 per ton (\$450 per acre including \$100 per acre in certification costs for the credit).

SENATOR WAGONER asked if credits came from their power generation plant.

MR. MAISCH replied that AEPC wanted to offset the carbons produced by its power generation plant by planting the trees.

MR. KING reminded the committee that carbon sequestration is a global concept. A power generation plant in Japan or China could get offset credits in Alaska. "If Alaska has more opportunities, then people will come to you from anywhere to utilize those opportunities."

SENATOR DYSON suggested that Representative Berkowitz consider deleting "greenhouse" and insert "atmospheric gases" on page 1, line 6. He also suggested adding a section that would address the use of oceans for carbon sequestration to the findings in section 2.

REPRESENTATIVE BERKOWITZ responded that he would actually make both those changes. He also urged swift action because the carbon sequestration market could become saturated soon. "If we wait until too late, our opportunities will diminish."

SENATOR SEEKINS noticed a press release dated July 1, 2001 from President Bush saying that NASA would invest over \$120 million in the next three years in research on the natural carbon cycle and asked if a report on that investment had ever been published. He was concerned about being drawn into the

"predicting dire consequences" argument rather than sticking to the market side of the equation.

REPRESENTATIVE BERKOWITZ replied that a recent article in the [indisc.] by the Secretary of Energy talked about how the United States is leading the way in developing carbon sequestration technologies. It's an on-going effort.

CHAIR OGAN thanked everyone for their testimony and held HB 196. There being no further business to come before the committee, he adjourned the meeting at 5:04 p.m.

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