

SENATE CS FOR CS FOR HOUSE BILL NO. 50(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 5/6/24

Referred: Finance

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; requiring the Department of Natural Resources to make Cook Inlet seismic**
8 **survey data available to certain persons; relating to records of the Regulatory**
9 **Commission of Alaska; relating to regulation of liquefied natural gas import facilities;**
10 **establishing an income tax on certain entities producing or transporting oil or gas in the**
11 **state; relating to carbon oxide sequestration tax credits; relating to the oil and gas**
12 **production tax; relating to the duties of the Department of Natural Resources; relating**

1 to carbon dioxide pipelines; relating to state loans for oil and gas development projects
 2 in the Cook Inlet sedimentary basin; relating to the Alaska Industrial Development and
 3 Export Authority; requiring the Alaska Industrial Development and Export Authority
 4 to make certain reports to the legislature; relating to the duties of the Regulatory
 5 Commission of Alaska, the Department of Revenue, and the Department of Natural
 6 Resources; relating to an audit of carbon storage leases conducted by the legislative
 7 audit division; and providing for an effective date."

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

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

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

13 * **Sec. 2.** AS 31.05.027 is amended to read:

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

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

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

25 * **Sec. 4.** AS 31.05.030 is amended by adding a new subsection to read:

26 (o) Each year, the commission shall

27 (1) prepare a report documenting each case of oil and gas waste in the
 28 state during the preceding calendar year and the actions taken by the commission in

1 response to the waste; and

2 (2) by the first day of each regular session of the legislature, deliver the
3 report prepared under this subsection to the senate secretary and the chief clerk of the
4 house of representatives and notify the legislature that the report is available.

5 * **Sec. 5.** AS 37.05.146(c) is amended by adding new paragraphs to read:

6 (86) carbon dioxide storage facility administrative fund
7 (AS 41.06.160);

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

9 * **Sec. 6.** AS 37.13.010(a) is amended to read:

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

12 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
13 proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue
14 sharing payments received by the state from mineral leases issued on or before
15 December 1, 1979, and 25 percent of all bonuses received by the state from mineral
16 leases issued on or before February 15, 1980;

17 (2) 50 percent of all mineral lease rentals, royalties, royalty sale
18 proceeds, net profit shares under AS 38.05.180(f) and (g), **carbon storage injection**
19 **royalties required under AS 38.05.705(c)(3)(B)**, and federal mineral revenue sharing
20 payments received by the state from mineral leases issued after December 1, 1979, and
21 50 percent of all bonuses received by the state from mineral leases issued after
22 February 15, 1980; and

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

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

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

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

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

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

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

(e) In this section,

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

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

* **Sec. 8.** AS 38.05.069(e) is amended to read:

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

* **Sec. 9.** AS 38.05.070(a) is amended to read:

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

* **Sec. 10.** AS 38.05.130 is amended to read:

Sec. 38.05.130. Damages and posting of bond. Rights may not be exercised by the state, its lessees, successors, or assigns under the reservation as set out in AS 38.05.125 until the state, its lessees, successors, or assigns make provision to pay the owner of the land full payment for all damages sustained by the owner, by reason of entering onto [UPON] the land. If the owner for any cause refuses or neglects to

1 settle the damages, the state, its lessees, successors, assigns, or an applicant for a lease
 2 or contract from the state for the purpose of prospecting for valuable minerals, or
 3 option, contract, or lease for **carbon storage or** mining coal or **a** lease for extracting
 4 geothermal resources, petroleum, or natural gas, may enter **onto** [UPON] the land in
 5 the exercise of the reserved rights after posting a surety bond determined by the
 6 director, after notice and an opportunity to be heard, to be sufficient as to form,
 7 amount, and security to secure to the owner payment for damages, and may institute
 8 legal proceedings in a court where the land is located, as may be necessary to
 9 determine the damages **that** [WHICH] the owner may suffer.

10 * **Sec. 11.** AS 38.05.135(a) is amended to read:

11 (a) Except as otherwise provided, valuable mineral deposits in land belonging
 12 to the state shall be open to exploration, development, and the extraction of minerals.
 13 All land, together with tide, submerged, or shoreland, to which the state holds title to
 14 or to which the state may become entitled, may be obtained by permit or lease for the
 15 purpose of exploration, development, and the extraction of minerals. Except as
 16 specifically limited by AS 38.05.131 - 38.05.181 **and 38.05.700 - 38.05.795**, land may
 17 be withheld from lease application on a first-come, first-served basis, and offered only
 18 on a competitive bid basis when determined by the commissioner to be in the best
 19 interests of the state.

20 * **Sec. 12.** AS 38.05.135(c) is amended to read:

21 (c) Payment of a royalty or a net profit share payment to the state under a lease
 22 issued under AS 38.05.135 - 38.05.181 **or an injection charge under AS 38.05.700 -**
 23 **38.05.795** becomes due on the date and in the manner specified in the lease or in a
 24 regulation adopted by the commissioner.

25 * **Sec. 13.** AS 38.05.135(d) is amended to read:

26 (d) If a royalty or net profit share payment to which the state is entitled under
 27 AS 38.05.135 - 38.05.181 **or an injection charge under AS 38.05.700 - 38.05.795** is
 28 not paid or is underpaid when it becomes due under (c) of this section, the unpaid
 29 amount of the royalty, [OR] net profit share payment, **or injection charge** bears
 30 interest in a calendar quarter at the rate of five percentage points above the annual rate
 31 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. 14.** 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 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 the state issues the refund.

* **Sec. 15.** AS 38.05.140(a) is amended to read:

(a) A person may not take or hold coal leases or permits during the life of coal leases on state land exceeding an aggregate of 92,160 acres, except that a person may apply for coal leases or permits for acreage in addition to 92,160 acres, not exceeding a total of 5,120 additional acres of state land. The additional area applied for shall be in multiples of 40 acres, and the application shall contain a statement that the granting of a lease for additional land is necessary for the person to carry on business

1 economically and is in the public interest. On the filing of the application, except as
 2 provided by AS 38.05.180(ff)(3) or 38.05.180(gg) and 38.05.700 - 38.05.795, the coal
 3 deposits in the land covered by the application shall be temporarily set aside and
 4 withdrawn from all other forms of disposal provided under AS 38.05.135 - 38.05.181.

5 * **Sec. 16.** AS 38.05.184 is amended by adding a new subsection to read:

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

12 * **Sec. 17.** AS 38.05 is amended by adding new sections to read:

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

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

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

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

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

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

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

27 (c) A carbon storage exploration license must

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

30 (2) be conditioned on an obligation by the licensee to fulfill a specified
 31 work commitment as set out in the license; the work commitment must include

1 mandatory provisions for

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

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

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

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

10 (B) a charge on injected volumes of carbon dioxide of at least
11 \$2.50 a ton.

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

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

18 (1) before the expiration of the license, applies for a permit under
19 AS 41.06.120;

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

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

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

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

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

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

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

- (1) identifies the specific area to be subject to the license;
- (2) proposes minimum work commitments;
- (3) proposes commercial terms applicable to a carbon storage lease that satisfy the requirements of AS 38.05.705(c)(3);
- (4) demonstrates the applicant's ability to assume responsibility of a carbon storage lease;
- (5) describes how the applicant meets the minimum qualifications for a licensee under applicable regulations; and
- (6) includes an attestation of the applicant's ability to perform the requirements of (2) - (4) of this subsection.

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

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

- (1) describe the limitations, stipulations, and conditions of the license

1 and any changes to the conditions detailed in the proposal submitted under (a) of this
2 section, or a competing proposal, that are required before issuance of the exploration
3 license;

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

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

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

12 (d) If the commissioner determines that issuance of a carbon storage
13 exploration license is in the best interests of the state and that only one applicant is
14 qualified for a license, the applicant may accept or reject the exploration license, as
15 limited or conditioned by the terms of the finding made under (c) of this section and in
16 the form of lease attached to the finding, not later than 30 days after the date the
17 finding was issued. The applicant shall accept or reject the issuance of the carbon
18 storage exploration license in writing. If an applicant fails to respond within 30 days
19 after the finding was issued, the commissioner shall consider the applicant's failure to
20 respond as a rejection of the license.

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

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

31 (g) If a lessee under AS 38.05.135 - 38.05.181 in the area covered by a

1 proposed carbon storage exploration license participates in a competitive bid process
 2 under (e) of this section and is not the successful bidder, before issuing the license, the
 3 commissioner shall provide the lessee an opportunity to match the successful bid. If
 4 the lessee matches the successful bid, the commissioner shall issue a carbon storage
 5 exploration license to the lessee.

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

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

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

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

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

18 (b) To convert a carbon storage exploration license to a carbon storage lease, a
 19 licensee shall provide to the commissioner a copy of the permit obtained under
 20 AS 41.06.120. After receiving a copy of the permit, the commissioner may issue a
 21 carbon storage lease for those areas of the exploration license approved for carbon
 22 storage by the permit if the licensee has

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

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

26 (c) Notwithstanding (b) of this section, if the commissioner determines that a
 27 carbon storage project is in the best interests of the state and would not be
 28 economically feasible under the commercial terms set by the license, the
 29 commissioner may issue the carbon storage lease under alternative commercial terms.
 30 A lease issued under this subsection must be supported by a written finding that
 31 contains specific factual details justifying the decision, an explanation of the

1 commissioner's reasons for issuing the lease, and a description of the original terms
 2 and the alternative terms of the lease. The finding must be published on the
 3 commissioner's publicly available Internet website.

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

- 5 (1) commercial terms for the lease;
- 6 (2) the agreements required under AS 38.05.710(h); and
- 7 (3) any other condition or obligation the commissioner considers
 8 necessary or that is required by regulation.

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

13 (b) At the commissioner's discretion, the commissioner may issue a carbon
 14 storage lease to a lessee under AS 38.05.180 if the lessee is in compliance with
 15 regulations adopted under AS 41.06.185(b). The commissioner may consider the
 16 qualifications and abilities of the lessee to meet the commercial requirements of a
 17 carbon storage lease and whether issuance of the lease is in the best interests of the
 18 state.

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

- 20 (1) commercial terms acceptable to the department that satisfy the
 21 requirements of AS 38.05.705(c)(3);
- 22 (2) the agreements required under AS 38.05.710(h);
- 23 (3) any other condition or obligation the commissioner considers
 24 necessary or that is required by regulation.

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

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

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

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

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

16 **Sec. 38.05.730. Payments from carbon storage exploration licenses and**
 17 **carbon storage leases.** Except as otherwise provided in AS 38.05.705(h) or under art.
 18 IX, sec. 15, Constitution of the State of Alaska, the department shall deposit in the
 19 general fund the money it collects under AS 38.05.700 - 38.05.795.

20 **Sec. 38.05.735. Annual report to the legislature.** The commissioner shall
 21 prepare an annual report that includes an accounting of the carbon storage closure trust
 22 fund established under AS 37.14.850 and information on carbon storage licensing
 23 applications and decisions and the issuance of carbon storage leases. The
 24 commissioner shall submit the report to the senate secretary and the chief clerk of the
 25 house of representatives on or before February 1 of each year and notify the legislature
 26 that the report is available.

27 **Sec. 38.05.740. Removal and restoration after termination.** Upon
 28 termination of a license under AS 38.05.705 or a lease under AS 38.05.715 or
 29 38.05.720, a licensee or lessee shall promptly remove all improvements and
 30 equipment, except as otherwise approved in writing by the commissioner, and shall
 31 restore the land to a condition that is approved by the commissioner.

1 **Sec. 38.05.795. Definitions.** In AS 38.05.700 - 38.05.795, unless the context
2 requires otherwise,

3 (1) "carbon storage" means the underground storage of carbon dioxide
4 in a carbon storage reservoir;

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

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

7 * **Sec. 18.** AS 38.35.020(a) is amended to read:

8 (a) Rights-of-way on state land, including rights-of-way over, under, along,
9 across, or on [UPON] the right-of-way of a public road or highway or the right-of-way
10 of a railroad or other public utility, or across, on [UPON], over, or under a river or
11 other body of water or land belonging to or administered by the state may be granted
12 by noncompetitive lease by the commissioner for pipeline purposes for the
13 transportation of oil, products, carbon dioxide, or natural gas under those conditions
14 prescribed by law or by administrative regulation. Except to the extent authorized by
15 an oil and gas lease, a gas only lease, or a carbon storage lease, or an oil and gas,
16 [OR] gas only, or carbon storage unit agreement approved by the state, no person
17 may engage in any construction or operation of any part of an oil, products, carbon
18 dioxide, or natural gas pipeline that is or is proposed to be, [WHICH] in whole or in
19 part, [IS OR IS PROPOSED TO BE] on state land unless that person has obtained
20 from the commissioner a right-of-way lease of the land under this chapter.

21 * **Sec. 19.** AS 38.35.020(b) is amended to read:

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

24 (1) field gathering lines or any reasonable classification of field
25 gathering lines; and

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

30 * **Sec. 20.** AS 38.35.122 is amended to read:

31 **Sec. 38.35.122. Products pipeline and carbon dioxide transportation**

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

* **Sec. 21.** AS 38.35.230(3) is amended to read:

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

* **Sec. 22.** AS 38.35.230(7) is amended to read:

(7) "pipeline" or "pipeline facility" means all the facilities of a total system of pipe, whether owned or operated under a contract, agreement, or lease, used by a carrier for transportation of crude oil, natural gas, **carbon dioxide,** or products for delivery, for storage, or for further transportation, and including all pipe, pump or compressor stations, station equipment, tanks, valves, access roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control center for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, and fire protection system, communication system, and all other facilities used or necessary for an integral line of pipe, taken as a whole, to **carry out** [EFFECTUATE] transportation, including an extension or enlargement of the line;

* **Sec. 23.** AS 38.35.230(10) is amended to read:

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

handling, transfer in transit, forwarding, and delivery of the minerals.

* **Sec. 24.** AS 38.35.230 is amended by adding a new paragraph to read:

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

* **Sec. 25.** AS 41.06.005 is amended to read:

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

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

* **Sec. 26.** AS 41.06.020 is amended to read:

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

(b) The authority of the commission applies to all land in the state lawfully subject to the police power of the state, including private land, municipal land, state land, land of the United States, and land subject to the jurisdiction of the United States, and to all land included in a voluntary cooperative or unit plan of development or operation entered into in accordance with AS 38.05.181. When land that is subject to the commission's authority is committed to a unit agreement involving land subject to federal jurisdiction, the operation of AS 41.06.005 - 41.06.060 [THIS CHAPTER] or a part of AS 41.06.005 - 41.06.060 [THIS CHAPTER] may be suspended if

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

(2) the conservation of geothermal resources is accomplished under the unit agreement.

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

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

(2) when a person engaged in drilling activity not otherwise subject to the provisions of AS 41.06.005 - 41.06.060 [THIS CHAPTER] encounters geothermal

resources, fluid, or water of sufficient heat or pressure to constitute a threat to human life or health unless the drilling operation is subject to oil and gas drilling regulation under AS 31.05;

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

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

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

(1) over geothermal resources under AS 38.05.181; or

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

* **Sec. 27.** AS 41.06.030(e) is amended to read:

(e) The commissioner may adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out the purposes and intent of AS 41.06.005 - 41.06.060 [THIS CHAPTER] for duties assigned to the department, including the promotion of maximum economic recovery.

* **Sec. 28.** AS 41.06.035(b) is amended to read:

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

* **Sec. 29.** AS 41.06.040(a) is amended to read:

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

adopting regulations to prevent

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

(2) contamination of surface and groundwater;

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

(4) blowouts, cavings, and seepage; and

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

* **Sec. 30.** AS 41.06.050(e) is amended to read:

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

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

(2) proposed well is contrary to a provision of AS 41.06.005 - 41.06.060 [THIS CHAPTER], a regulation adopted by the commission, another law, or an order, stipulation, or term of a permit issued by the commission; and

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

* **Sec. 31.** AS 41.06.055(c) is amended to read:

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

* **Sec. 32.** AS 41.06.055(d) is amended to read:

(d) The commission shall collect the regulatory cost charges imposed under this section. The Department of Administration shall identify the amount of appropriations made for the operating costs of the commission under AS 41.06.005 -

1 **41.06.060** [THIS CHAPTER] that lapse into the general fund each year. The
 2 legislature may appropriate an amount that is at least equal to the lapsed amount to the
 3 commission for its operating costs under **AS 41.06.005 - 41.06.060** [THIS
 4 CHAPTER] for the next fiscal year. If the legislature makes an appropriation to the
 5 commission under this subsection that is equal to or greater than the lapsed amount,
 6 the commission shall reduce the total regulatory cost charge collected for that fiscal
 7 year by a comparable amount.

8 * **Sec. 33.** AS 41.06.060 is amended to read:

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

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

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

14 (3) "correlative rights" means the right of an owner of each property in
 15 a geothermal system to produce without waste the owner's just and equitable share of
 16 the geothermal resources in the geothermal system; a just and reasonable share is an
 17 amount, so far as can be practically determined and so far as can be practically
 18 produced without waste, that is substantially in proportion to the quantity of
 19 recoverable geothermal resources under the owner's property relative to the total
 20 recoverable geothermal resources in the geothermal system;

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

24 (5) "geothermal resources"

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

30 (B) includes

31 (i) the energy, including pressure, in whatever form

present in, resulting from, created by, or that may be extracted from that natural heat;

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

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

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

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

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

(9) "waste" means, in addition to its ordinary meaning, physical waste, and includes an inefficient, excessive, or improper production, use, or dissipation of geothermal resources, including

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

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

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

* **Sec. 34.** AS 41.06 is amended by adding new sections to read:

Article 2. Carbon Storage; Injection.

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

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

3 (1) in the state lawfully subject to the police power of the state,
4 including private land, municipal land, state land, federal land, and land subject to the
5 jurisdiction of the United States; and

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

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

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

12 (2) conservation of resources in the reservoir or pool is accomplished
13 in the agreement.

14 (c) The commission has the authority to

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

17 (2) require that storage operators provide assurance, including bonds,
18 that money is available to fulfill the storage operator's duties;

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

21 (A) inspect equipment and facilities;

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

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

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

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

30 (d) To the extent AS 31.05 does not conflict with AS 41.06.105 - 41.06.210,
31 the provisions of AS 31.05 are applicable to wells drilled in search of, in support of,

1 and for carbon storage.

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

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

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

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

13 (c) A person applying for a permit shall

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

15 (2) comply with application requirements;

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

17 (4) pay the commission the cost the commission incurs in reviewing
18 the person's application, publishing notices for hearings, and holding hearings on the
19 person's permit application.

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

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

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

31 **Sec. 41.06.125. Hearing on permit application.** (a) Before issuing a permit

1 for a storage facility, the commission shall hold a public hearing.

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

5 (1) each mineral lessee, mineral owner, and mineral right owner of
 6 record within the storage reservoir and within one-half mile of the boundaries of the
 7 storage reservoir;

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

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

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

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

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

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

20 (2) that the proposed storage facility is suitable and feasible for carbon
 21 storage;

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

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

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

31 (6) that the proposed storage facility will not adversely affect surface

1 water or formations containing fresh water;

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

4 (8) that substances that compromise the objectives of AS 41.06.105 -
5 41.06.210 or the integrity of a storage reservoir will not enter a storage reservoir;

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

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

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

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

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

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

20 **Sec. 41.06.135. Permit provisions.** The commission may include in a permit
21 or order any parameters necessary to carry out the objectives of AS 41.06.105 -
22 41.06.210, prevent waste, protect correlative rights, and ensure the health and safety of
23 persons affected by the permit.

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

30 **Sec. 41.06.145. Certificate.** When the commission issues a permit under
31 AS 41.06.120, the commission shall also issue a certificate that states that the permit

has been issued, describes the area covered, and contains other information the commission considers appropriate. The storage operator may file a copy of the certificate with the office of the recorder in the district in which the storage facility is located.

Sec. 41.06.150. Environmental protection; storage reservoir integrity. (a)

The commission shall take action to ensure that

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

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

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

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

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

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

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

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

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

(b) The carbon dioxide storage facility administrative fund is established in

1 the general fund. The fund consists of

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

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

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

5 (c) Money in the carbon dioxide storage facility administrative fund shall be
6 separately accounted for under AS 37.05.142. The legislature may appropriate the
7 money in the fund to the commission to carry out the purposes of AS 41.06.105 -
8 41.06.210.

9 **Sec. 41.06.165. Title to carbon dioxide.** The storage operator has title to the
10 carbon dioxide injected into and stored in a storage reservoir and holds title until the
11 commission issues a certificate of completion under AS 41.06.170. While the storage
12 operator holds title, the operator is liable for any damage the carbon dioxide may
13 cause, including damage caused by carbon dioxide that escapes from the storage
14 facility. When a certificate of completion is issued under AS 41.06.170, title to carbon
15 dioxide injected into and stored in a storage reservoir is transferred to the owner of the
16 pore space, unless the storage operator and the owner of the pore space have a
17 contrary agreement.

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

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

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

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

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

- 1 (1) has fully complied with all laws governing the storage facility;
- 2 (2) shows that the operator has addressed all pending claims regarding
- 3 the operation of the storage facility;
- 4 (3) shows that the underground place or pore space in which the
- 5 injected carbon dioxide is stored is not expected to pose a threat to human health,
- 6 human safety, the environment, or underground sources of drinking water;
- 7 (4) shows that the stored or injected carbon dioxide is unlikely to cross
- 8 an underground or pore space boundary and is not expected to endanger an
- 9 underground source of drinking water or otherwise endanger human health, human
- 10 safety, or the environment;
- 11 (5) shows that all wells, equipment, and facilities allowed to remain in
- 12 place following post-injection site care and site closure are in good condition and
- 13 retain mechanical integrity;
- 14 (6) shows that the operator has plugged wells, removed equipment and
- 15 facilities, and completed reclamation work as required by the commission and the
- 16 Department of Natural Resources;
- 17 (7) has paid all fees and surcharges owed for the storage facility; and
- 18 (8) meets any other regulatory requirements established by the state.
- 19 (c) Once a certificate of completion is issued, the department assumes primary
- 20 responsibility for long-term monitoring and maintenance of the storage facility, as
- 21 provided in AS 41.06.305. The storage operator and all persons who generated
- 22 injected carbon dioxide are released from liability to the state associated with the
- 23 storage facility in an amount equal to the amount attributed to the storage facility in
- 24 the carbon storage closure trust fund established in AS 37.14.850. The state, the
- 25 department, or the commission is not liable for damages arising out of, or in any
- 26 manner connected with, long-term monitoring and maintenance of a storage facility if
- 27 the amount for the storage facility separately accounted for in the carbon storage
- 28 closure trust fund established in AS 37.14.850 is unavailable or insufficient. A bond
- 29 posted by the storage operator under AS 41.06.110(c)(2) must be released. In this
- 30 subsection, "long-term monitoring and maintenance" has the meaning given in
- 31 AS 41.06.305(e).

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

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

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

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

14 **Sec. 41.06.180. Penalties.** (a) In addition to the penalties in (b) - (d) of this
 15 section, a person who violates a provision of AS 41.06.105 - 41.06.210, a regulation
 16 adopted under AS 41.06.105 - 41.06.210, or an order or term of a permit issued by the
 17 commission under AS 41.06.105 - 41.06.210 is liable for a civil penalty of not more
 18 than \$100,000 for the initial violation and not more than \$10,000 for each day
 19 thereafter on which the violation continues.

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

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

28 (d) A person who knowingly aids or abets another person in the violation of a
 29 provision of AS 41.06.105 - 41.06.210, a regulation adopted under AS 41.06.105 -
 30 41.06.210, or an order, stipulation, or term of a permit issued by the commission is
 31 subject to the same penalty as that prescribed in this section for the violation by the

1 other person.

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

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

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

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

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

15 (4) the economic or environmental harm or injury to the public caused
16 by the violation;

17 (5) the economic value or other benefits derived by the person
18 committing the violation from the commission of the violation;

19 (6) any history of previous violations by the person committing the
20 violation;

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

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

25 (9) other matters justice requires.

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

30 (b) The commission may adopt regulations that allow enhanced oil or gas
31 recovery and related well activities to be converted to a storage facility. The

1 regulations must require that, in considering whether to approve a conversion, and
2 upon conversion, the provisions of AS 41.06.105 - 41.06.210 apply. The regulations
3 may impose additional requirements to AS 41.06.105 - 41.06.210, or describe specific
4 situations in which the requirements of AS 41.06.105 - 41.06.210 are waived, to
5 ensure that the objectives of AS 41.06.105 - 41.06.210 are met.

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

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

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

17 (b) The purpose of determining the carbon storage capacity of a storage
18 reservoir is to facilitate calculating the amount of stored carbon dioxide for matters
19 including carbon credits, allowances, trading, emissions allocations, and offsets. The
20 commission may charge a reasonable fee to a person requesting a capacity
21 determination. The commission shall set the fee by regulation. The commission shall
22 deposit fees received under this subsection in the carbon dioxide storage facility
23 administrative fund established in AS 41.06.160.

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

28 **Sec. 41.06.210. Definitions.** In AS 41.06.105 - 41.06.210, unless the context
29 requires otherwise,

30 (1) "carbon dioxide" means carbon dioxide of a quality that will not
31 compromise

1 (A) the safety of carbon storage; and

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

4 (2) "carbon storage" means the underground storage of carbon dioxide
5 in a storage reservoir;

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

8 (4) "enhanced oil or gas recovery" means the increased recovery of
9 hydrocarbons, including oil and gas, from a common source of supply achieved by
10 artificial means or by the application of energy extrinsic to the common source of
11 supply, including pressuring, cycling, pressure maintenance or injection of a substance
12 or form of energy, including injection of water, gas, carbon dioxide, or both gas and
13 carbon dioxide, including immiscible and miscible floods, as long as the enhanced oil
14 or gas recovery does not include injection of a substance or form of energy for the sole
15 purpose of

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

17 (B) stimulation of the reservoir at or near the well by
18 mechanical, chemical, thermal, or explosive means;

19 (5) "permit" means a storage facility permit issued under
20 AS 41.06.120;

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

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

27 (8) "storage facility" means the storage reservoir, underground
28 equipment, well, and surface facilities and equipment used in accordance with a
29 permit; "storage facility" does not include pipelines, compressors, surface facilities,
30 and equipment used to transport carbon dioxide to the storage facility that are
31 unrelated to well safety and metering;

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

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

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

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

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

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

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

(b) Under this section, the authority of the department applies to all land in the state lawfully subject to the police power of the state, including private land, municipal land, state land, land of the United States, and land subject to the jurisdiction of the United States. The department may enter, at a reasonable time and in a reasonable manner, the site of a storage facility that has been issued a certificate of completion under AS 41.06.170.

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

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

(e) In this section,

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

(2) "long-term monitoring and maintenance" means an activity

1 associated with monitoring and maintenance of a storage facility that has been issued a
2 certificate of completion under AS 41.06.170 and may include

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

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

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

9 (D) plugging and abandoning wells;

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

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

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

14 * **Sec. 35.** AS 41.08.020(b) is amended to read:

15 (b) In addition **to the requirements of (a) of this section**, the division of
16 geological and geophysical surveys shall [:]

17 (1) collect, record, evaluate, and distribute data on the quantity,
18 quality, and location of underground, surface, and coastal water of the state;

19 (2) publish or have published data on the water of the state;

20 (3) require the [FILING WITH IT OF THE] results and findings of
21 surveys of water quality, quantity, and location **to be filed with the division**;

22 (4) require [OF] water well contractors **to file with the division** [,
23 THE FILING WITH IT OF] basic water and aquifer data normally obtained, including
24 [BUT NOT LIMITED TO] well location, estimated elevation, well driller's logs,
25 pumping tests and flow measurements, and water quality determinations;

26 (5) accept and spend funds for the purposes of this section,
27 AS 41.08.017, and 41.08.035 and enter into agreements with individuals, public or
28 private agencies, communities, private industry, state agencies, and agencies of the
29 federal government;

30 (6) collect, evaluate, and distribute geologic data on seismic events and
31 engineering geology of the state;

(7) identify potential seismic hazards that might affect development in the state;

(8) inform public officials and industry about potential seismic hazards that might affect development in the state; **and**

(9) make available to a qualified person without charge seismic survey and other geophysical data in possession of the department that relates to land inside the Cook Inlet sedimentary basin, unless the data is

(A) required to be kept confidential under AS 31.05.035(c) or AS 43.55.025(f); or

(B) well data from a well on private land that the owner of the oil or gas resource has not provided permission to release to the public.

* **Sec. 36.** AS 41.08.020 is amended by adding a new subsection to read:

(c) In this section, "qualified person" means an accredited domestic research institution, a person actively exploring for, developing, or producing oil, gas, or minerals in the state, or another person to whom the provision of seismic survey and other geophysical data would serve the best interests of the state as determined by the department.

* **Sec. 37.** AS 41.21.167(a) is amended to read:

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

* **Sec. 38.** AS 41.21.491(d) is amended to read:

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

* **Sec. 39.** AS 41.21.502(c) is amended to read:

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

1 under AS 38.05.181 - 38.05.275.

2 * **Sec. 40.** AS 41.21.617 is amended to read:

3 **Sec. 41.21.617. Other uses generally.** The state land and water described in
 4 AS 41.21.611(b) is closed to mineral entry under AS 38.05.135 - 38.05.275 **and**
 5 **38.05.700 - 38.05.795**, to commercial harvest of timber, and to sale under state land
 6 disposal laws. The commissioner may lease the land described in AS 41.21.611(b)
 7 under AS 38.05.070 - 38.05.105 for a purpose consistent with AS 41.21.610(a) and
 8 (b). A municipality may select land within the Alaska Chilkat Bald Eagle Preserve
 9 under law.

10 * **Sec. 41.** AS 42.05.141 is amended by adding new subsections to read:

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

15 (h) Except as provided in AS 42.05.711(q) and (s), the commission shall
 16 regulate under this chapter the service of natural gas storage and the service of
 17 liquefied natural gas storage, including storage furnished by operating a natural gas
 18 storage facility that is part of a

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

20 (2) natural gas pipeline facility operated by a natural gas pipeline
 21 carrier.

22 (i) In (h) of this section, "natural gas pipeline carrier," "natural gas pipeline
 23 facility," "pipeline carrier," and "pipeline facility" have the meanings given in
 24 AS 42.06.630.

25 * **Sec. 42.** AS 42.05.381(k) is amended to read:

26 (k) The cost to the utility of storing gas in a gas storage facility or storing
 27 liquefied natural gas in a liquefied natural gas storage facility that is allowed in
 28 determining a just and reasonable rate shall reflect the

29 **(1)** reduction in cost attributable to any exemption from a payment due
 30 under AS 38.05.096 or 38.05.180(u), as applicable, and the value of a tax credit that
 31 the owner of the gas storage facility received under AS 43.20.046 or 43.20.047, as

applicable; the [THE] commission may request the

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

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

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

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

* **Sec. 43.** AS 42.05.381 is amended by adding new subsections to read:

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

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

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

(q) In (k) of this subsection, "gas storage facility" has the meaning given in AS 31.05.032(e).

* **Sec. 44.** AS 42.05 is amended by adding a new section to article 5 to read:

Sec. 42.05.505. Records of gas storage facilities. Records held by the commission related to the finances of a gas storage facility, a liquefied natural gas storage facility, or a public utility providing the service of natural gas storage, including financial statements and financial assurance agreements, are confidential

and are not public records under AS 40.25.100 - 40.25.295 (Alaska Public Records Act). The commission may disclose information from a record subject to this section only to a state or federal agency if the commission determines that disclosure of the information is necessary for the commission to complete its duties.

* **Sec. 45.** AS 42.05.711(q) is amended to read:

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

* **Sec. 46.** AS 42.05.711 is amended by adding a new subsection read:

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

* **Sec. 47.** AS 42.06.140 is amended by adding new subsections to read:

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

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

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

(d) In this section,

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

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

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

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

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

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

* **Sec. 48.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.019. Tax on income attributable to a qualified entity. (a) If an entity has qualified taxable income over \$4,000,000 in a tax year, the entity shall pay a tax of 9.4 percent on the qualified taxable income over \$4,000,000.

(b) The tax under this section does not apply to a corporation paying tax under AS 43.20.011.

(c) The department shall aggregate the qualified taxable income of two or more entities for the purpose of determining the tax due under this section if the department determines that, without the provisions of this section, the qualified taxable income would reasonably be expected to be attributed to a single entity.

(d) The Department of Administration shall separately account for the tax collected under this section. The legislature may appropriate tax revenue collected under this section to fund renewable energy or electrical grid projects and upgrades.

(e) In this section,

(1) "entity" means a

(A) sole proprietorship;

(B) partnership; or

(C) entity that has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code);

(2) "qualified taxable income" means income from the production of oil or gas from a lease or property in the state or from the transportation of oil or gas by pipeline in the state before deductions for

(A) dividends and gifts; and

(B) wages, salaries, bonuses, or other similar payments to owners, partners, members, or shareholders of the entity.

* **Sec. 49.** AS 43.20.036 is amended by adding a new subsection to read:

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

* **Sec. 50.** AS 43.55.165(e) is amended to read:

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

(1) depreciation, depletion, or amortization;

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

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

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

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

(6) costs arising from fraud, wilful misconduct, gross negligence, violation of law, or failure to comply with an obligation under a lease, permit, or license issued by the state or federal government;

(7) fines or penalties imposed by law;

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

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

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

(11) surcharges levied under AS 43.55.201 or 43.55.300;

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

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

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

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

18 (16) costs incurred for containment, control, cleanup, or removal in
19 connection with any unpermitted release of oil or a hazardous substance and any
20 liability for damages imposed on the producer or explorer for that unpermitted release;
21 this paragraph does not apply to the cost of developing and maintaining an oil
22 discharge prevention and contingency plan under AS 46.04.030;

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

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

31 (19) costs incurred for repair, replacement, or deferred maintenance of

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

19 (A) "costs incurred for repair, replacement, or deferred
 20 maintenance of a facility, a pipeline, a structure, or equipment" includes costs
 21 to dismantle and remove the facility, pipeline, structure, or equipment that is
 22 being replaced;

23 (B) "hazardous substance" has the meaning given in
 24 AS 46.03.826;

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

26 (20) costs incurred to construct, acquire, or operate a refinery or crude
 27 oil topping plant, regardless of whether the products of the refinery or topping plant
 28 are used in oil or gas exploration, development, or production operations; however, if
 29 a producer owns a refinery or crude oil topping plant that is located on or near the
 30 premises of the producer's lease or property in the state and that processes the
 31 producer's oil produced from that lease or property into a product that the producer

uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

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

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

(23) costs incurred to become eligible for, or that result in eligibility to claim, the carbon oxide sequestration credit allowed as to federal taxes under 26 U.S.C. 45Q (Internal Revenue Code), when the costs are expended to construct, acquire, modify, operate, dismantle, or remove a facility for carbon capture, carbon utilization, or carbon storage, including construction and modification of new or existing infrastructure, as well as fees incurred under AS 41.06.160, surcharges incurred under AS 41.06.175, or costs associated with obtaining, operating, or maintaining a license or lease under AS 38.05.700 - 38.05.795.

* Sec. 51. AS 44.25.020 is amended to read:

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

(1) enforce the tax laws of the state;

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

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

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

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

1 * **Sec. 52.** AS 44.37.020 is amended by adding a new subsection to read:

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

4 * **Sec. 53.** AS 44.88 is amended by adding new sections to read:

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

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

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

18 (1) to a legal entity in compliance with state and federal laws;

19 (2) if the loan applicant provides a written waiver permitting the
20 authority to access or obtain copies of the loan applicant's confidential records that are
21 in possession of the Department of Natural Resources or the Department of Revenue;
22 information provided to the authority under this section shall be kept confidential by
23 the authority unless disclosure is authorized by the loan applicant or borrower;

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

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

1 and reasonable immediate delivery price for gas;

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

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

8 (d) The authority may accept an overriding royalty interest in a lease for
9 which a loan has been extended under (b) of this section if, as a term of the loan, the
10 overriding royalty interest is subject to prior approval by the Department of Natural
11 Resources. The authority may only have the overriding royalty interest transferred to
12 the authority if the borrower defaults.

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

22 (1) a cost estimate for the project;
23 (2) the potential recoverable gas from the project;
24 (3) the projected rate of return for the project;
25 (4) if the authority recommends a reserve-based loan for the project,
26 the amount of funds necessary for deposit into the Cook Inlet reserve-based lending
27 account to provide a loan for the project and the recommended source of funds for the
28 deposit.

29 (b) Notwithstanding AS 44.88.215, 44.88.850(b)(2), or any other law, a
30 borrower's information shall be subject to the public reporting requirements under this
31 section. Each year, the authority shall prepare a report related to Cook Inlet reserve-

based loans made under AS 44.88.850 and shall, by the first day of each regular session of the legislature, deliver the report to the senate secretary and the chief clerk of the house of representatives and notify the legislature that the report is available. At the request of a legislative committee, a representative of the authority shall appear in that committee to review the report. The report must

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

* **Sec. 54.** AS 44.88.900 is amended by adding new paragraphs to read:

- (20) "oil and gas development project" means a development project to produce proven oil or gas reserves;
- (21) "reserve-based loan" means a loan made against and fully secured by an oil and gas field, proven undeveloped or developed oil and gas reserves, or other assets of the entity receiving the loan.

* **Sec. 55.** AS 46.03.020 is amended to read:

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

- (1) enter into contracts and compliance agreements necessary or convenient to carry out the functions, powers, and duties of the department;
- (2) review and appraise programs and activities of state departments and agencies in light of the policy set out in AS 46.03.010 for the purpose of determining the extent to which the programs and activities are contributing to the achievement of that policy and to make recommendations to the departments and agencies, including environmental guidelines;
- (3) consult with and cooperate with

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

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

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

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

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

18 (7) conduct investigations and hold hearings and compel the
19 attendance of witnesses and the production of accounts, books, and documents by the
20 issuance of a subpoena;

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

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

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

27 (A) control, prevention, and abatement of air, water, or land or
28 subsurface land pollution;

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

31 (C) protection of public water supplies by establishing

1 minimum drinking water standards, and standards for the construction,
 2 improvement, and maintenance of public water supply systems;

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

4 (E) collection and disposal of garbage, refuse, and other
 5 discarded solid materials from industrial, commercial, agricultural, and
 6 community activities or operations;

7 (F) control of pesticides;

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

10 (H) handling, transportation, treatment, storage, and disposal of
 11 hazardous wastes;

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

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

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

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

29 * **Sec. 56.** AS 42.05.990(10)(B) and 42.05.990(11)(B) are repealed.

30 * **Sec. 57.** The uncodified law of the State of Alaska is amended by adding a new section to
 31 read:

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

9 * **Sec. 58.** The uncoded law of the State of Alaska is amended by adding a new section to
 10 read:

11 APPLICABILITY. Section 48 of this Act applies to an entity with qualified taxable
 12 income over \$4,000,000 for a tax year beginning on or after January 1, 2023.

13 * **Sec. 59.** The uncoded law of the State of Alaska is amended by adding a new section to
 14 read:

15 TRANSITION: PAYMENT OF TAX. A person subject to tax before the effective
 16 date of sec. 48 of this Act under AS 43.20.019, added by sec. 48 of this Act, shall pay the
 17 balance of the tax due for a tax year ending before January 1, 2024, by January 1, 2025. Until
 18 January 1, 2025, the Department of Revenue shall waive interest that would otherwise accrue
 19 under AS 43.05.225 and civil and criminal penalties accruing under AS 43.05.220, 43.05.245,
 20 and 43.05.290 that are a result of the retroactivity of this Act.

21 * **Sec. 60.** The uncoded law of the State of Alaska is amended by adding a new section to
 22 read:

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

28 * **Sec. 61.** The uncoded law of the State of Alaska is amended by adding a new section to
 29 read:

30 REVISOR'S INSTRUCTION. The revisor of statutes is requested to change the
 31 chapter heading for AS 41.06 from "Geothermal Resources" to "Geothermal Resources and

1 Carbon Storage."

2 * **Sec. 62.** The uncoded law of the State of Alaska is amended by adding a new section to
3 read:

4 RETROACTIVITY OF REGULATIONS. Notwithstanding a contrary provision of
5 AS 44.62.240, if the Department of Revenue expressly designates in the regulation that the
6 regulation applies retroactively to a specific date, a regulation adopted by the department to
7 implement, interpret, make specific, or otherwise carry out sec. 48 of this Act applies
8 retroactively to that date.

9 * **Sec. 63.** The uncoded law of the State of Alaska is amended by adding a new section to
10 read:

11 RETROACTIVITY. Sections 48, 58, and 59 of this Act are retroactive to January 1,
12 2023.

13 * **Sec. 64.** Sections 48, 58 - 60, 62, and 63 of this Act take effect immediately under
14 AS 01.10.070(c).