Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	HB 50
Fiscal Note Number:	2
(H) Publish Date:	1/27/2023

Identifier: 0567-DNR-DOG-1-25-23
Title: CARBON STORAGE
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Natural Resources
Appropriation: Oil & Gas
Allocation: Oil & Gas
OMB Component Number: 439

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2024**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Personal Services	400.0		400.0	400.0	400.0	400.0	400.0
Travel	32.0		32.0	16.0	16.0	16.0	16.0
Services	24.0		24.0	8.0	8.0	8.0	8.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**456.0**	**0.0**	**456.0**	**424.0**	**424.0**	**424.0**	**424.0**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	336.0		336.0	304.0	304.0	304.0	304.0
1105 PF Gross (Other)	120.0		120.0	120.0	120.0	120.0	120.0
Total	**456.0**	**0.0**	**456.0**	**424.0**	**424.0**	**424.0**	**424.0**

Positions

Full-time	2.0						
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	*******	**0.0**	*******	*******	*******	*******	*******

Estimated SUPPLEMENTAL (FY2023) cost: 500.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) cost: 750.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 6/31/2024

Why this fiscal note differs from previous version/comments:

Initial version, not applicable

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Division:	Oil & Gas	Date:	01/23/2023 07:30 AM
Approved By:	Theresa Cross, Administrative Services Director	Date:	01/24/23
Agency:	Department of Natural Resources		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

Purpose of Legislation
The purpose of this legislation is to establish a comprehensive regulatory structure for Carbon Capture, Utilization, and Storage ("CCUS") projects within the State of Alaska. The bill allows DNR to lease State lands for carbon storage projects, establishes a CCUS regulatory regime within the Alaska Oil & Gas Conservation Commission ("AOGCC"), allows AOGCC to pursue primacy for UIC Class VI carbon dioxide injection wells, and expands existing regulatory authority over oil & gas pipelines to carbon dioxide pipelines.

New Positions
The majority of the work necessary to administer the Carbon Capture, Utilization, and Storage Program within the Division of Oil & Gas would be managed with existing staff resources. Two new positions would be added within the Division in sections that would be most heavily involved in CCUS program implementation and oversight. One new Storage Geologist I/II position would be added within the Resource Evaluation section to evaluate and characterize carbon storage resources within the state and to undertake technical evaluation of carbon storage applications and project oversight reviews. One new Economist II/III/IV position would be added within the Commercial Section to conduct research on commercial and fiscal storage terms and long-term liability issues and to support the Commercial Section in the analysis and negotiation of commercial, fiscal, and liability terms of storage license and lease applications.

Travel & Services
Line items for Travel & Services cover costs for (a) education and training for Division personnel, and (b) inspection visits for evaluating Carbon Storage applications. Given that the Division anticipates that most work for this program would be conducted by current employees, additional funds for training are allocated in FY 24 & 25 during program stand-up.

Capital Costs
The capital budget request in FY 2024 is included to provide for consultant services during program stand-up. The Division anticipates that the primary consultant functions would be to aid in the development of regulation packages, assist in the drafting of model license and lease forms, and assist in the development of economic evaluation models for commercial evaluations and analysis of long-term liabilities. Capital costs may also be used to procure specialized geologic and economic analysis software packages used for evaluation of carbon storage projects.

New Fund - Carbon Storage Closure Trust Fund
The legislation creates a new "Carbon Storage Closure Trust Fund." The fund will be funded through payments from Carbon Storage Facility operators based on the volume of injected carbon. The payment amounts will be set by the Alaska Oil & Gas Conservation Commission at the time that a permit is issued for the facility. The fund is intended to be used for long-term monitoring and maintenance related to injected underground carbon after a carbon storage facility has ceased operation and the operator has dismantled infrastructure and remediated the facility site except for the underground carbon.

Regulations
This legislation is likely to result in DNR issuing new regulations concerning the evaluation of applications for carbon storage licenses and leases and for establishing a competitive bidding process for competing license applications. DNR anticipates that regulations should be promulgated within 12 months of final passage. DNR is likely to coordinate regulatory proposals with other agencies involved in CCUS oversight activities in order to ensure harmonization of regulatory programs given the complexity of the subject matter.

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Analysis

Supplemental FY2023 operating costs
The legislation may result in significant expenditures in the current fiscal year, both to assess and engage with proposed amendments throughout the development of the legislation, and to immediately begin implementation and staffing efforts to ensure the program is able to operate shortly after enactment. We anticipate these would be one-time costs for specialized professional services, regulatory development, and assessments of markets at start up.