

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 20, 2023

1:02 p.m.

MEMBERS PRESENT

Representative Tom McKay, Chair
Representative George Rauscher, Vice Chair
Representative Kevin McCabe
Representative Dan Saddler
Representative Jennie Armstrong
Representative Donna Mears

MEMBERS ABSENT

Representative Stanley Wright
Representative Maxine Dibert
Representative Josiah Patkotak

COMMITTEE CALENDAR

HOUSE BILL NO. 50

"An Act relating to the geologic storage of carbon dioxide; and providing for an effective date."

- HEARD & HELD

PRESENTATION(S): CCUS PEER STATE REVIEW

- HEARD

HOUSE BILL NO. 49

"An Act authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon offset program for state land; authorizing the sale of carbon offset credits; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 50

SHORT TITLE: CARBON STORAGE

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/27/23 (H) READ THE FIRST TIME - REFERRALS

01/27/23 (H) RES, FIN
02/10/23 (H) RES AT 1:00 PM BARNES 124
02/10/23 (H) Heard & Held
02/10/23 (H) MINUTE (RES)
02/15/23 (H) RES AT 1:00 PM BARNES 124
02/15/23 (H) Heard & Held
02/15/23 (H) MINUTE (RES)
02/17/23 (H) RES AT 1:00 PM BARNES 124
02/17/23 (H) Heard & Held
02/17/23 (H) MINUTE (RES)
02/20/23 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

LYDIA SHUMAKER, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 50.

KEN GRIFFIN, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 50.

ANTHONY PENNINO, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

JOHN HENTGES, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

KASSIE ANDREWS, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 50.

TODD LINDLEY, representing self
Valdez, Alaska

POSITION STATEMENT: Testified in opposition to HB 50.

LAUREN HENDRIX, Director
Marketing and Proposals
ASRC Energy Services
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

KARA MORIARTY, Lobbyist
Alaska Oil and Gas Association
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

FRANK PASKVAN, Affiliate Professor
Carbon Capture Use and Storage
University of Fairbanks
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

BERT HOUGHTALING, representing self
Big Lake, Alaska

POSITION STATEMENT: Testified in opposition to HB 50.

CHRISTINE RESLER, CEO
ASRC Energy Services
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

VIKKI JO KENNEDY, representing self
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 50.

LIAM ZSOLT, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 50.

CRAIG WILSON, Principal
Stantec
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint on carbon capture and storage, titled "CCUS Peer State Review."

ACTION NARRATIVE

[1:02:19 PM](#)

CHAIR TOM MCKAY called the House Resources Standing Committee meeting to order at 1:02 p.m. Representatives McCabe, Rauscher, Saddler, Armstrong, Mears, and McKay were present at the call to order.

HB 50-CARBON STORAGE

[1:03:14 PM](#)

CHAIR MCKAY announced that the first order of business would be HOUSE BILL NO. 50 "An Act relating to the geologic storage of carbon dioxide; and providing for an effective date."

1:03:50 PM

CHAIR MCKAY opened public testimony for HB 50.

1:04:34 PM

LYDIA SHUMAKER, representing self, expressed opposition to HB 50. She directed attention to page 18 of the proposed bill, which indicated the purpose of the bill would be to implement a framework for protecting the health, safety, and property in the state, in the public's interest economically and technologically. She argued that carbon dioxide (CO2) capture, utilization, and storage (CCUS) is not economical. She gave the example that a spokesperson for Archers Daniel Midland (ADM), an agribusiness company in Illinois, has reported that the total carbon storage worth at ADM is valued at \$441 million, of which \$281 million came from the U.S. Department of Energy, with only 11 people employed. She argued that joining a fiat currency, with the hope for carbon currency once tax credits have ended, is not economical. She expressed the opinion that CO2 capture projects would cost more to citizens than operating status-quo with the oil and gas industry.

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KEN GRIFFIN, representing self, testified in opposition to HB 50. He expressed the opinion that the proposed plan would be a disaster for the state, as it will take money from taxpayers and move it to the government; therefore, the government would grow, not the economy. He argued that there are no profitable CCUS projects, as these projects only exist because of subsidies from the government via the taxpayer. He gave the example that a CCUS plant operated by Chevron in 2021 had 5 million tons [of CO2] and had to pay a \$300 million carbon tax credit. He explained that the technology does not exist to make CCUS economically feasible, and the state needs projects that would help grow the economy. He suggested shelving any planned projects until an economic impact study is done.

1:11:25 PM

ANTHONY PENNINO, representing self, shared that he has worked on projects in the North Slope for 25 years. He expressed support for HB 50, as it would be a way to increase oil and gas development on the North Slope. He argued that it would bring new industries to the slope because of the potential creation of

decarbonized electricity. He commented that he worked on CCUS projects in the Lower 48 and expressed the opinion that these projects can be successful.

[1:13:20 PM](#)

JOHN HENTGES, representing self, expressed support for HB 50. He shared that he is the Alaska project manager for Storegga, a United Kingdom-based carbon sequestration company; however, he is testifying as a private citizen. He thanked members of the diverse Alaska CCUS Workgroup that provided input towards HB 50. He shared that Storegga has been working with the Department of Natural Resources (DNR) to share lessons around CCUS regulations in different countries. He explained that Alaska is a prime candidate for carbon storage because of its geology and long history of well-regulated, successful oil and gas operations. He expressed confidence that CCUS projects could be done safely, and these projects would play a significant role in diversifying the state's economy.

REPRESENTATIVE SADDLER questioned Mr. Hentges' affiliation. He further asked if his testimony as a citizen diverges from his professional position.

MR. HENTGES answered in the negative, and he apologized for the confusion.

[1:17:26 PM](#)

KASSIE ANDREWS, representing self, testified in opposition to HB 50. She stated that she has sent the committee an opinion piece discussing the 45Q [incentive] tax credits [for carbon reduction]. She advised that the article cautions against use of such credits. After she sent the opinion piece, she stated that she received a comment from a committee member, which related that the state would not be involved with these credits, as the bill would only set up the framework to provide a "scourge solution." She questioned the result of when there are no credits, as the bill would modify the statutes allowing for CO2 pipelines. She suggested that the state would have something to do with the credits, as it would be creating the idea for residents that there is value in carbon. She expressed the opinion that there is no value in carbon. She explained the idea of a free market economy, which is driven by available supply and the monetary value of the supply. She opined about the affiliation of previous speakers, and the effects carbon credits might have on Alaska's oil and gas industry. She

pointed to the Willow project and expressed the understanding that a deciding factor in its approval was the social cost of greenhouse gas emissions. She expressed the opinion that this is an example of a gross overreach in government regulation. She stated that the Alaska Independence Party voted unanimously to oppose HB 50. She suggested that once the government and "big business" agree CO2 has a monetary value, the next step would be a tax on people and their usage.

[1:21:05 PM](#)

TODD LINDLEY, representing self, expressed opposition to HB 50, and he advised that the bill be tabled until there is a proper evaluation. He argued it makes no sense that an oil business would participate in a carbon storage offset program, as these facilities would increase costs from \$60 to \$120 per ton of CO2. He expressed the understanding that the sustainable development goals [in the proposed legislation] are in conflict with natural resource clauses in the state constitution. He argued that 87 percent of the state's tax revenue would disappear if HB 50 passes.

[1:23:38 PM](#)

LAUREN HENDRIX, Director, Marketing and Proposals, ASRC Energy Services, testified in support of HB 50. She expressed the hope that Alaska will stay in the forefront of making carbon capture safe and economical. She said that DNR has been engaging with the Alaska CCUS Workgroup, which is a workgroup that seeks to discuss a clear and safe path forward. She relayed that a consortium has applied for the carbon capture funding released by the U.S. Department of Energy. She expressed the hope that HB 50 will give the Alaska Oil and Gas Conservation Commission (AOGCC) the authority to pursue Class VI well primacy, which would enable faster permitting. She explained that opening to CCUS opportunities would make Alaska a leader in the field, and it would also create jobs and support the economy.

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KARA MORIARTY, Lobbyist, Alaska Oil and Gas Association (AOGA), expressed support for HB 50. She stated that AOGA supports the advancement in research into CCUS, and it concurs with the administration, in that Alaska is uniquely positioned to be an industry leader. She explained that many of AOGA's members have net-zero goals, and CCUS and oil and gas development are not mutually exclusive. She said that AOGA supports policy which

backs researching technology, developing demonstration, recognizing the range of carbon mitigation technology, providing operators with a choice to deploy CCUS, establishing a competitive pricing environment, recognizing market-bank solutions, allowing the deployment toward net-zero emissions goals, encouraging new carbon capture facilities, and addressing the long-term storage of CO2. She said that AOGA is supportive of the general framework of HB 50.

[1:27:57 PM](#)

REPRESENTATIVE MCCABE questioned the number of member companies in AOGA that are seeking to adopt environmental, social, and corporate governance (ESG) goals. He questioned what these members would do if the state does not provide space for them to store carbon.

MS. MORIARTY expressed uncertainty concerning the number of AOGA member companies with net-zero targets, and she stated that she would report back to the committee with the information. She pointed out that AOGA's companies in other states are focused on a variety of goals, and this depends on where they operate. She continued that some states, such as Wyoming and North Dakota, have already adopted a CCUS framework with projects currently underway. She offered that it could be argued that Alaska is behind in establishing CCUS in the state.

REPRESENTATIVE SADDLER directed attention to previous testimony that had expressed concern over CCUS impacting taxpayers in the state, which would be the oil companies in Alaska. He questioned situations where taxpayers, or the oil companies, have ended up paying the price to support CCUS systems.

MS. MORIARTY expressed uncertainty and stated that she would report back to the committee.

[1:31:40 PM](#)

FRANK PASKVAN, Affiliate Professor, Carbon Capture Use and Storage, University of Fairbanks, expressed support for HB 50. He shared that he leads the Alaska CCUS Workgroup and explained the mission of the workgroup. He stated that it is not seeking state funding for CCUS projects; rather it seeks to establish a legal and regulatory framework to allow businesses to thrive. He stated that before the bill was drafted, the workgroup was used as a platform for diverse input on a framework. He pointed out that the workgroup has a white paper published on a

University of Alaska Fairbanks' website. He continued that the CCUS industry is expanding and reiterated that the workgroup is in support of HB 50.

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REPRESENTATIVE MCCABE offered his understanding that the oil industry on the North Slope produces 10 million tons of CO₂. He asked whether the companies would have to spend money to barge out the carbon if the state cannot provide carbon storage.

MR. PASKVAN answered that this is happening in the Lower 48. He pointed out the example of ethanol. He stated that in some states the plants do not have a framework to store the carbon created from turning corn into ethanol, which forces the plants to pipeline the carbon to states that do allow storage.

CHAIR MCKAY clarified that gas in the North Slope is considered stranded; therefore, it must be reinjected into active reservoirs. He said that HB 50 would not change the operations, it would just require the CO₂ be injected into Class VI wells and depleted reservoirs.

[1:38:03 PM](#)

BERT HOUGHTALING, representing self, stated that he is in support of capturing carbon and reinjecting it into the ground, but he is not in support of more regulations that would stop the growth of resource development. He suggested that the state's constitution directs the maximization of all resources, and HB 50 would stifle growth; therefore, he opposes it.

[1:40:42 PM](#)

CHRISTINE RESLER, CEO, ASRC Energy Services, expressed support for HB 50 and stated that she has participated in the Alaska CCUS Workgroup. She explained that the CCUS process involves moving streams of CO₂ and reinjecting it into the ground for permanent storage. She commented that Alaska has many fossil fuels and CCUS would be a way to keep such fuels competitive. She argued that HB 50 would not cause ancillary taxes. She thanked the state for being proactive in proposing the bill. She explained that a consortium has organized to apply to be a capture hub and obtain funding from the U.S. Department of Energy.

[1:43:56 PM](#)

REPRESENTATIVE SADDLER asked her to list the ways the bill would benefit ASRC and other businesses like it.

MS. RESLER responded that it would allow the industry to assess its ability to lower its carbon footprint. She suggested that having a regulatory framework would benefit Alaska.

[1:44:51 PM](#)

VIKKI JO KENNEDY, representing self, pointed out that Alaska has a large amount of tundra. She asked how the state is going to supply a carbon capturing system at the rate the tundra is emitting carbon. She stated that she is not ready to provide a stance on HB 50.

[1:47:31 PM](#)

LIAM ZSOLT, representing self, shared that he is the Director of Innovation and Technology Development at ASRC Energy Services. He added that he also serves on the board of the Alaska Industry Support Alliance; however, he expressed support for HB 50 on behalf of himself. He explained that CCUS is important, as well as the 45Q tax credits. He pointed out that the argument on whether greenhouse gas emissions are real is outside the scope of HB 50. He expressed the understanding that the scope of the proposed bill is to put regulations in place to enable the industry to grow. He offered that both Alaskans and the oil companies care about the carbon footprint; therefore, the companies will seek out ways to offset the emissions and ways to produce them in a low carbon way. Furthermore, he explained that a healthy and sustainable oil and gas industry is promoted by enabling companies to use a CCUS framework, which would enable many ways to find value in lowering CO2 from fuel emissions.

REPRESENTATIVE MCCABE offered his understanding that investors will not invest in Alaska oil because of its carbon footprint. He asked if the bill is the industry's attempt to become more attractive to investors.

MR. ZSOLT responded that HB 50 could "work fabulously to that end." He explained that if the hydrocarbon producers in Alaska are able to offset emissions in the state, then they would be in a more favorable position with investors.

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CHAIR MCKAY added that carbon storage is essential for liquefied natural gas pipelines in Alaska.

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REPRESENTATIVE SADDLER questioned the worst thing that could happen if the legislature were to pass HB 50.

MR. ZSOLT expressed the opinion that there is little downside to the bill. He reiterated that the bill would create a regulatory environment that allows CCUS business in the state.

[1:54:28 PM](#)

CHAIR MCKAY, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 50.

[HB 50 was held over.]

[1:54:39 PM](#)

The committee took an at-ease from 1:54 p.m. to 1:56 p.m.

[1:56:51 PM](#)

PRESENTATION(S): CCUS Peer State Review

CHAIR MCKAY announced that the final order of business would be a presentation on carbon capture, utilization, and storage (CCUS).

CRAIG WILSON, Principal, Stantec, gave a PowerPoint presentation, titled, "CCUS Peer State Review" [hardcopy included in the committee packet]. He paraphrased slide 3, which read as follows [original punctuation provided]:

CCUS legislation is relatively new for most jurisdictions

Most legislation is designed to support UIC Class VI primacy and follows EPA guidance

11 states have CCUS legislation in place

8 states have fully developed CCUS legislation

5 foreign states were also reviewed

Several common legislative themes emerged from the review

MR. WILSON stated that after a review of the 11 states with carbon capture frameworks, regulatory themes on CCUS emerged, as seen on a chart on slide 4.

[2:01:39 PM](#)

MR. WILSON, in response to a committee question, expressed uncertainty about how each state manages its revenues from carbon storage and any profits made. He explained that the permitting requirements are handled at the regulation level by the individual agencies, and this is typically set to cover costs. He further explained that the long-term liability funds are not in use yet, as the program is new. He elaborated that the amount would be dependent on whether a state accepts liability for the storage of CO₂. He advised that CCUS legislation is still in its infancy. In response to a follow-up question, he stated that neither Wyoming nor North Dakota have shared information around their economic modelling. He explained that the funding for CCUS programs varies, as there are permitting fees, licensing fees, surface rentals, and injection fees. He said that Alaska is not unique in wishing to be revenue neutral.

MR. WILSON, in response to a committee question, conveyed that the state would not have to meet the U.S. Environmental Protection Agency's (EPA's) 50-year liability guideline. He explained that when EPA came out with the Class VI well program a decade ago, there had been discussion around this; however, EPA hedged the matter. He stated that it was decided that an operator would be liable for CO₂ for 50 years, with liabilities under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA.) In response to a follow-up question concerning if RCRA would apply to the original producer of the CO₂, or the state, he said, "That would be a question for lawyers."

MR. WILSON, in response to a question concerning whether any states lease state land for CCUS, answered that Texas funds its education system by leasing public lands used for CCUS. He advanced to slide 6 to present a chart of what the Wyoming CCUS

program looks like. He moved to slide 8 to detail underground injection control programs.

2:13:33 PM

MR. WILSON, in response to a committee question concerning drinking water contamination, stated there is a requirement that operators identify that reservoirs are away from a drinking water aquifer. He explained that CO₂ is a super critical liquid at depths and will flow friction free. He further explained that CO₂ is not a toxic material, and the issue with CO₂ in the aquifers is carbonic acid. He advised that if the pH of the drinking water is increased, metals could leech out.

MR. WILSON expressed uncertainty in response to the comparison of the costs of using a Class II well versus a Class VI well.

2:18:48 PM

MR. WILSON, concluding the presentation, said that if Alaska wants to have CCUS, the first step would be obtaining Class VI primacy. He advised that HB 50 would take this step by authorizing the Alaska Oil and Gas Conservation Commission (AOGCC) to seek primacy. In response to a committee question, he stated that EPA has 33 permits pending. On whether Alaska should wait on the EPA permitting process until it receives primacy, he answered that any company could submit a permit to the EPA now, and EPA has current Class VI primacy in Alaska. He added that if the state were to have its own Class VI program, permitting would be faster.

MR. WILSON, in response to a committee question, stated that HB 50 would set up the framework for CCUS in Alaska, but it would not mandate it. In reference to 45Q tax credits, he stated that the tax credits are necessary to make a project economical. He answered that other states offer state-level tax credits, and this varies across the country.

2:30:19 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:30 p.m.