

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 1, 2023

1:36 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

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

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."

- HEARD & HELD

**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
02/20/23	(H)	Heard & Held
02/20/23	(H)	MINUTE (RES)
02/22/23	(H)	RES AT 1:00 PM BARNES 124
02/22/23	(H)	Heard & Held
02/22/23	(H)	MINUTE (RES)
02/24/23	(H)	RES AT 1:00 PM BARNES 124
02/24/23	(H)	Bills Previously Heard/Scheduled
02/27/23	(H)	RES AT 1:00 PM BARNES 124
02/27/23	(H)	Heard & Held
02/27/23	(H)	MINUTE (RES)
03/01/23	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 49

SHORT TITLE: CARBON OFFSET PROGRAM ON STATE LAND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/27/23	(H)	READ THE FIRST TIME - REFERRALS
01/27/23	(H)	RES, FIN
02/20/23	(H)	RES AT 1:00 PM BARNES 124
02/20/23	(H)	<Bill Hearing Canceled>
02/22/23	(H)	RES AT 1:00 PM BARNES 124
02/22/23	(H)	<Bill Hearing Canceled>
02/24/23	(H)	RES AT 1:00 PM BARNES 124
02/24/23	(H)	<Bill Hearing Canceled>
02/27/23	(H)	RES AT 1:00 PM BARNES 124
02/27/23	(H)	Scheduled but Not Heard
03/01/23	(H)	RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

ED KING, Staff  
 Representative Tom McKay  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Gave an explanation of changes in the proposed CS for HB 50, Version S, on behalf of Representative McKay.

JOHN CROWTHER, Deputy Commissioner  
 Office of the Commissioner

Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Offered information and answered questions during the hearing on the proposed CS for HB 50, Version S, on behalf of the bill sponsor, House Rules by request of the governor.

JOHN BOYLE, Commissioner Designee  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Provided introductory remarks on HB 49, on behalf of the bill sponsor, House Rules by request of the governor.

JOSHUA STRAUSS, Senior Vice President  
Anew Climate  
Houston, Texas

**POSITION STATEMENT:** Gave an informational overview on forest carbon during the hearing on HB 49.

JOHN CROWTHER, Deputy Commissioner  
Office of the Commissioner  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 49.

#### **ACTION NARRATIVE**

[1:36:30 PM](#)

**CHAIR TOM MCKAY** called the House Resources Standing Committee meeting to order at 1:36 p.m. Representatives Saddler, Wright, Rauscher, McCabe, Dibert, Armstrong, Mears, and McKay were present at the call to order.

#### **HB 50-CARBON STORAGE**

[1:37:46 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."

[1:38:15 PM](#)

The committee took an at-ease from 1:38 p.m. to 1:42 p.m.

1:42:43 PM

REPRESENTATIVE RAUSCHER moved to adopt the proposed committee substitute (CS) for HB 50, Version 33-GH1567\S, Dunmire, 2/28/23, as the working document.

CHAIR MCKAY objected for the purpose of discussion.

1:43:52 PM

ED KING, Staff, Representative Tom McKay, Alaska State Legislature, presented an explanation of changes in Version S [included in the committee packet], which read as follow [original punctuation provided]:

Change 1: Title was expanded by legal services

Change 2: Sections 4 and 5 were added as conforming changes (page 2, lines 16-20)

Change 3: Clarifying language was added to the closure trust fund statute (beginning page 2, line 24)

- i. Ensure the fund was not susceptible to the CBR sweep.
- ii. Condense the fund to a single account
- iii. Make technical drafting changes

Change 4: References to rental payments were removed from sections 11  
- 13 to conform with oil and gas procedures. (page 4, lines 15, 20, 22, and 29)

Change 5: Legal services redrafted the change to 38.05.184 as a new subsection rather than amending (b) and made some technical drafting changes.  
(page 5, line 29)

Change 6: The proposed carbon storage policy statements in DNR and AOGCC statutes were deleted.  
(page 6, lines 12-14)

Change 7: The minimum lease payments were replaced with a requirement for DNR to establish market rates in regulation.  
(page 6, lines 12-14)

[1:46:59 PM](#)

REPRESENTATIVE MEARS, referencing change 7, asked why [the references to minimum requirements for acreage, rental fees, and injection charges] were removed.

MR. KING explained that Version S directed the department to establish market rates under regulation. However, he said the language was still imperfect and could be "tightened up" in the amendment process.

[1:47:48 PM](#)

JOHN CROWTHER, Deputy Commissioner, Office of the Commissioner, Department of Natural Resources (DNR), on behalf of the bill sponsor, House Rules by request of the governor, spoke to the overall policy intent of the change. He explained that as the market for carbon capture, utilization and storage (CCUS) projects rapidly developed, it was hard to identify set floors that allowed projects to proceed while capturing the best value for the state over the life of the project. Consequently, the department wanted flexibility in statute to allow subsequent regulation of public process to further define those terms as the market matures.

[1:49:06 PM](#)

REPRESENTATIVE SADDLER asked Mr. Crowther to define "commercial terms" and "economic terms".

MR. CROWTHER gave examples of annual lease rentals and lease injection charges. He said he did not know which terms would be used yet; however, a variety were used across existing agreements and would evolve with the market. He reiterated his belief that a fixed single option would be limiting.

REPRESENTATIVE SADDLER sought to confirm that "commercial terms" were between the injector and some other entity.

MR. CROWTHER said at a conceptual level, the projects would benefit from federal incentives and if there were changes to increase federal incentives, the state may want to participate in those.

[1:51:16 PM](#)

REPRESENTATIVE ARMSTRONG noticed that the \$20 per acre minimum was still included on page 6, line 30. She asked whether the intent was to delete that language.

MR. KING confirmed that the language in question had been identified as an area to be amended. He resumed the explanation of changes, which read as follows [original punctuation provided]:

Change 8: The license to lease terms were consolidated in AS 38.05.715 and removed from AS 38.05.705.  
(version A page 6, lines 14-17 to version S page 10, lines 14-16)

Change 9: The license renewal process was limited to the time required for the lease conversion determination to be completed.  
(page 7, lines 10-11)

Change 10: The concurrent carbon storage leasing section was changed to a transition from EOR to storage process, which

- i. Clarifies that oil and gas operators need to obtain a storage permit before engaging in activities outside the scope of their production lease
- ii. Requires lessees to assign DR&R between the production and storage leases
- iii. Aligns the EOR to storage processes among the agencies (page 10, line 23 through page 11, line 15)

Change 11: Amends the definitions by

- i. Adding a definition for "unit agreement" (11:24)
- ii. Deleting the definition of "carbon dioxide" (A11:29)
- iii. Combining the definitions of "geologic storage" and "carbon storage" (A12:5)
- iv. Removing the phrase "perpetual or short-term" from "carbon storage" (A12:6 and A28:21)
- v. Deleting the unused terms "pore space," "reservoir," and "supercritical fluid" from the DNR statutes (A12:6-11)
- vi. Adding a definition of "carbon storage capacity of a storage reservoir" (28:10-13)

- vii. Adding a definition of "enhanced oil or gas recovery" (28:25-27)

[1:55:53 PM](#)

REPRESENTATIVE SADDLER sought to verify that "enhanced oil or gas recovery" was not included in Alaska Oil and Gas Conservation Commission (AOGCC) statutes, but "pore space" and "reservoir" were.

MR. KING confirmed that Representative Saddler was correct. He resumed the explanation of changes, which read as follows [original punctuation provided]:

Change 12: Clarified that "ton" means "metric ton"  
(23:27 and 25:26)

Change 13: Aligned the accounting and expenditure process of the new storage facility administrative fund with existing procedures (beginning page 23, line 26)

Change 14: Added DNR as an agency in charge of requiring DR&R (page 25, line 13)

Change 15: Added a new bill section to exempt the use of 45Q credits against state corporate income tax liability

Change 16: Several technical drafting changes were made throughout the bill

[1:57:17 PM](#)

REPRESENTATIVE MCCABE asked whether change 15 satisfied a previously proposed amendment pertaining to 45Q credits.

REPRESENTATIVE ARMSTRONG answered in the affirmative.

MR. KING noted that there may be a need for further clarity on the reference to tax credits. In addition, he highlighted numerous small technical conforming changes in Version S, which he characterized as non-substantive.

CHAIR MCKAY asked whether DNR had confirmed the changes in Version S.

[1:58:59 PM](#)

MR. CROWTHER confirmed that the administration supported Version S.

CHAIR MCKAY sought further questions from committee members on Version S.

[1:59:50 PM](#)

REPRESENTATIVE SADDLER asked whether there was persuasive evidence for condensing the fund into a single account.

MR. KING said the change was made by Legislative Legal Services. He shared his understanding that the dedicated funds clause within the Alaska State Constitution put a damper on the intent of having two accounts.

REPRESENTATIVE SADDLER asked for verification that there was no problem with intermingling the money and having the same fund draw for operations and long-term liability.

MR. KING acknowledged that there was a separate administrative fund that AOGCC put fees into. The closure trust, however, was specifically for expenses that occur post closure when the state takes title. He foresaw no interference or accounting difficulties.

[2:01:54 PM](#)

CHAIR MCKAY removed his objection to the motion to adopt the proposed committee substitute (CS) for HB 50, Version 33-GH1567\S, Dunmire, 2/28/23, as a working document. There being no further objection, Version S was before the committee.

[2:02:20 PM](#)

CHAIR MCKAY announced that HB 50 was held over.

[2:02:23 PM](#)

The committee took an at-ease from 2:02 p.m. to 2:05 p.m.

**HB 49-CARBON OFFSET PROGRAM ON STATE LAND**

[2:05:15 PM](#)

CHAIR MCKAY announced that the final order of business would be 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."

[2:06:32 PM](#)

The committee took a brief at-ease at 2:06 p.m.

[2:07:08 PM](#)

JOHN BOYLE, Commissioner Designee, Department of Natural Resources (DNR), provided introductory remarks on HB 49, on behalf of the bill sponsor, House Rules by request of the governor. The legislation focused on the utilization of state land and submerged land for the purpose of carbon offsets, which would offer the state a new avenue to diversify its economy and revenues. He described the "tremendous" inventory of state lands as a competitive advantage for Alaska that may be very well suited for carbon offset projects. The administration was asking for a broad regulatory framework, he said, to enable DNR to engage with the market, understand where carbon offset opportunities exist, and generate additional state revenues. He shared his belief that carbon offset projects could incentivize forest management and timber harvesting and revitalize the forest industry as a whole in Alaska, while creating exciting career opportunities. He emphasized that the bill would not implement carbon taxes or cap-and-trade regimes on businesses operating within the state, adding that the land used for carbon projects would still be open for public access and public use. The projects could be managed in a way that was reflective of the state's ethos. He noted the thousands of miles of coastline and submerged lands in Alaska that were high quality areas for carbon offset projects, such as commercial kelp farms, that could provide further opportunities in the mariculture industry. He urged the state to stay flexible in response to the ever-growing and evolving market.

[2:15:25 PM](#)

JOSHUA STRAUSS, Senior Vice President, Anew Climate, gave a PowerPoint presentation, titled "Forest Carbon Informational Overview," [hard copy included in the committee packet]. He outlined the agenda for the presentation on slide 2.

[2:17:09 PM](#)

MR. STRAUSS continued to slide 3, "About Anew," which read as follows [original punctuation provided]:

- Oldest and largest carbon offset developer in North America (20+ years)
- Voted Environmental Finance's Best Project Developer (North America) and Best Offset Developer (California) for seven years running
- Dedicated forestry team: in in-house finance, marketing, and legal experts, plus 30 professional foresters with unparalleled forest carbon experience

[2:18:14 PM](#)

MR. STRAUSS narrated the map on slide 4, "Anew Forestry Project Map," which pictured some of the 110 forest carbon projects under Anew's management in the U.S. and Canada. Slide 5 listed Anew's notable public partnerships, including Alaska DNR, Michigan DNR, Ohio DNR, 8 Wisconsin counties, 3 Massachusetts townships, 2 Pennsylvania water authorities, and 1 public university.

[2:19:44 PM](#)

MR. STRAUSS discussed forest carbon basics beginning on slide 7, "What are forest carbon offsets," which read as follows [original punctuation provided]:

- Forests across the US sequester substantial amounts of CO<sub>2</sub>.
- By maintaining or increasing forest stocking, forest landowners can generate units of CO<sub>2</sub> emissions reductions ("Carbon Offsets").
- Companies wishing to combat climate change are willing to pay forest owners for these Carbon Offsets, thereby claiming credit for reducing CO<sub>2</sub> emissions and mitigating some of the effects of climate change.

[2:21:10 PM](#)

MR. STRAUSS proceeded to slide 8, "Forest Carbon Markets," which read as follows [original punctuation provided]:

Voluntary Market

Companies voluntarily choose to purchase offsets to reduce their emissions

- Greater variation in pricing
  - \$4 to \$35
- Premium value attributed to "charismatic" projects
- Less certain demand

#### Compliance Market

Companies purchase offsets to help meet their legally mandated emissions targets (CS & Quebec)

- More consistent pricing
  - \$15 to \$20
- Built-in demand through 2030

#### Additional Compliance Programs

- Washington
- CORSIA (international aviation)
- Canada (Federal and Provincial)
- Oregon

[2:24:37 PM](#)

REPRESENTATIVE RAUSCHER asked whether anything federal was on the horizon.

MR. STRAUSS said nothing was currently on the horizon for a federal program.

REPRESENTATIVE RAUSCHER sought to confirm that any compliance program would need to come through the state legislature.

MR. STRAUSS answered yes, a compliance program would be at the state level. He reiterated that there was no federal oversight on the horizon.

[2:27:09 PM](#)

REPRESENTATIVE MEARS asked whether, in terms of voluntary compliance, a company looking to purchase carbon credits might consider the preservation of habitat for wolverine and lynx in Alaska a charismatic project worth investing in.

MR. STRAUSS answered yes, habitat preservation might increase the credit value. He indicated that environmental conservation in addition to emission reduction may be appealing.

[2:28:12 PM](#)

REPRESENTATIVE SADDLER suggested that saving the planet may not have the same market value in twenty years. He asked how much of the carbon market was voluntary versus compliance.

MR. STRAUSS acknowledged that there was no regulatory mandate for the voluntary market. Nonetheless, many companies have publicly committed to becoming carbon neutral by 2030 through offset programs, for example. He added that although pricing was variable, measures were being taken to add quantification to various components of a carbon project. By enrolling in one now, he said, it wouldn't preclude the ability to better quantify positive impacts of the project as other methodologies get "fleshed out."

[2:31:22 PM](#)

REPRESENTATIVE SADDLER clarified that if Alaska could derive benefit from charismatic projects, he was supportive of "pocketing that money."

CHAIR MCKAY asked whether there were federal tax credits for voluntarily purchasing offsets.

MR. STRAUSS said no, there was not a direct path to federal tax credits for these activities.

CHAIR MCKAY pointed out that HB 49 addressed only the voluntary market.

[2:32:36 PM](#)

REPRESENTATIVE DIBERT asked how forest fires would be addressed in forested areas in the Interior.

MR. STRAUSS said the department was keenly aware of the forest fire risk. He discussed the American Carbon Registry's (ACR) voluntary improved forest management protocol, which included a "buffer" - otherwise defined as a pooled insurance mechanism - for all credit-generating projects to cover catastrophic loss.

[2:35:39 PM](#)

MR. STRAUSS resumed the presentation on slide 8 and discussed the compliance market. He continued to slide 9, which listed examples of credit buyers in the voluntary space, including Microsoft, Capital One, Nestle, Disney, Chevrolet, and etcetera. He added that almost every organization in the Fortune 500 were buying credits. He noted that state lands were not readily eligible for participation in the compliance programs based on their design. Mr. Strauss turned to slide 10, "Landowner Obligations," which outlined the monitoring obligations per year in both a voluntary and compliance setting. The ACR - a voluntary program - was a 40-year commitment, for example, whereas the compliance program would be well over 100 years. He outlined the four stages of a carbon offset project: verification, inventory, reporting, and the monitoring period. He reiterated that the commitment to a carbon forest program would not prevent the utilization of that land for recreation or for sub-surface minerals.

[2:44:01 PM](#)

CHAIR MCKAY inquired about the 40-year monitoring period for voluntary programs and asked whether that would be a 40-year lease. In addition, he shared his understanding that Native corporations had participated in the California compliance cap-and-trade program. He asked whether those properties in Alaska were under lease for 100 years.

MR. STRAUSS explained that the monitoring period is the length of time that the landowner is obligated to follow the rules of the program. For the voluntary space, the monitoring period is a 40-year flat commitment, during which time the volume of carbon stock must be maintained or increased with verification every 5 years; inventory updates every 10 years; and annual reports on harvesting. He contrasted that timeframe to the compliance space, which has a monitoring period of 100 years, a 6-year verification period, 12-year inventory, and annual reporting.

CHAIR MCKAY asked for verification that the Native corporations that had sold credits in Alaska were under a compliance program.

MR. STRAUSS indicated that some of them were under a compliance program.

[2:48:33 PM](#)

MR. STRAUSS continued the presentation on slide 11, "Key Components of Offset Quality," which listed the following principles: Additionality, permanence, verification/monitoring, registration/serialization, leakage, reversal buffer.

[2:53:20 PM](#)

MR. STRAUSS proceeded to slide 12, "Alaska DNR Pilot Projects," which read as follows [original punctuation provided]:

- Three areas were selected as pilot projects due to their carbon stocking, accessibility, and timber marketability
- Three projects could collectively generate ~10 million offsets over 40-year life
- >\$80 million in revenue over 1<sup>st</sup> decade alone

[2:55:28 PM](#)

REPRESENTATIVE SADDLER asked for the definition of "additionality".

MR. STRAUSS defined additionality as the comparison of a project to an alternate, hypothetical scenario, otherwise referred to as a "baseline." In response to a request for clarification from Representative Saddler, he described the baseline scenario as "what is likely or very plausible in the absence of a carbon project."

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REPRESENTATIVE MEARS asked why state projects weren't eligible for the compliance market. In addition, she questioned the difference in market rates between the voluntary and compliance markets.

CHAIR MCKAY offered his understanding that HB 49 covered only the voluntary market. He asked Mr. Crowther whether that was accurate.

[2:58:17 PM](#)

JOHN CROWTHER, Deputy Commissioner, Office of the Commissioner, Department of Natural Resources (DNR), shared his understanding that under current protocols for compliance markets, public lands in Alaska would not be eligible. For that reason, HB 49 targeted the voluntary market.

REPRESENTATIVE MEARS asked whether there was a variance in credit value on the voluntary versus compliance market.

MR. STRAUSS explained that compliance credits generally traded for around \$18. However, he predicted that a forest credit from Alaska would trade at around \$16 to \$27.

[2:59:25 PM](#)

MR. STRAUSS walked the committee through the project development process on slide 14, "Anew Services," which listed the following stages: project feasibility analysis, contracting and listing, inventory, modeling and documentation, verification, credit registration and issuance, and credit sale.

CHAIR MCKAY gleaned that this process would be expensive. He asked how much it would cost and who would pay for it.

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MR. STRAUSS conveyed that Anew, for example, covered all costs associated with project development, which was sometimes in the millions, and was only reimbursed upon successful sale of the credits. Consequently, he shared his belief that Anew's approach was appealing to landowners because they don't have to allocate public funds to start a project. He concluded the presentation on slide 15, "Development Timeline," which depicted the approximately 18-month timeline of events from starting a project to getting credits issued.

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REPRESENTATIVE SADDLER asked for the definition of "offset."

MR. STRAUSS likened "offset" to "credit" or one metric ton of emissions reduction.

[3:08:17 PM](#)

CHAIR MCKAY announced that HB 49 was held over.

[3:08:33 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee was adjourned at 3:08 p.m.