

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

May 1, 2024

4:00 p.m.

**MEMBERS PRESENT**

Senator Click Bishop, Co-Chair  
Senator Cathy Giessel, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Scott Kawasaki  
Senator James Kaufman  
Senator Forrest Dunbar  
Senator Matt Claman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 69

"An Act relating to geothermal resources; relating to the definition of 'geothermal resources'; and providing for an effective date."

- MOVED CSSB 69(RES) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 50(FIN)

"An Act relating to carbon storage on state land; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to carbon storage exploration licenses; relating to carbon storage leases; relating to carbon storage operator permits; relating to enhanced oil or gas recovery; relating to long-term monitoring and maintenance of storage facilities; relating to carbon oxide sequestration tax credits; relating to the duties of the Department of Natural Resources; relating to carbon dioxide pipelines; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 69

SHORT TITLE: GEOTHERMAL RESOURCES

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

|          |     |                                 |
|----------|-----|---------------------------------|
| 02/15/23 | (S) | READ THE FIRST TIME - REFERRALS |
| 02/15/23 | (S) | RES, FIN                        |
| 04/12/23 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 04/12/23 | (S) | Heard & Held                    |
| 04/12/23 | (S) | MINUTE(RES)                     |
| 04/17/23 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 04/17/23 | (S) | Heard & Held                    |
| 04/17/23 | (S) | MINUTE(RES)                     |
| 05/12/23 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 05/12/23 | (S) | Heard & Held                    |
| 05/12/23 | (S) | MINUTE(RES)                     |
| 01/22/24 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 01/22/24 | (S) | Heard & Held                    |
| 01/22/24 | (S) | MINUTE(RES)                     |
| 05/01/24 | (S) | RES AT 3:30 PM BUTROVICH 205    |

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        |
| 03/01/23 | (H) | Heard & Held                     |
| 03/01/23 | (H) | MINUTE(RES)                      |

03/08/23 (H) RES AT 1:00 PM BARNES 124  
 03/08/23 (H) Moved CSHB 50(RES) Out of Committee  
 03/08/23 (H) MINUTE(RES)  
 03/13/23 (H) RES RPT CS(RES) NEW TITLE 6DP 1NR 1AM  
 03/13/23 (H) DP: ARMSTRONG, DIBERT, MCCABE, SADDLER,  
 WRIGHT, MCKAY  
  
 03/13/23 (H) NR: PATKOTAK  
 03/13/23 (H) AM: MEARS  
 03/24/23 (H) FIN AT 1:30 PM ADAMS 519  
 03/24/23 (H) Heard & Held  
 03/24/23 (H) MINUTE(FIN)  
 04/07/23 (H) FIN AT 1:30 PM ADAMS 519  
 04/07/23 (H) -- MEETING CANCELED --  
 04/11/23 (H) FIN AT 1:30 PM ADAMS 519  
 04/11/23 (H) Heard & Held  
 04/11/23 (H) MINUTE(FIN)  
 04/18/23 (H) FIN AT 1:30 PM ADAMS 519  
 04/18/23 (H) Heard & Held  
 04/18/23 (H) MINUTE(FIN)  
 04/28/23 (H) FIN AT 1:30 PM ADAMS 519  
 04/28/23 (H) Heard & Held  
 04/28/23 (H) MINUTE(FIN)  
 05/03/23 (H) FIN AT 1:30 PM ADAMS 519  
 05/03/23 (H) Heard & Held  
 05/03/23 (H) MINUTE(FIN)  
 05/12/23 (H) FIN AT 1:30 PM ADAMS 519  
 05/12/23 (H) Bills Previously Heard/Scheduled  
 01/25/24 (H) FIN AT 1:30 PM ADAMS 519  
 01/25/24 (H) Heard & Held  
 01/25/24 (H) MINUTE(FIN)  
 02/19/24 (H) FIN AT 8:30 AM ADAMS 519  
 02/19/24 (H) Heard & Held  
 02/19/24 (H) MINUTE(FIN)  
 03/07/24 (H) FIN AT 11:00 AM ADAMS 519  
 03/07/24 (H) -- MEETING CANCELED --  
 03/11/24 (H) FIN AT 1:30 PM ADAMS 519  
 03/11/24 (H) Heard & Held  
 03/11/24 (H) MINUTE(FIN)  
 03/14/24 (H) FIN AT 10:00 AM ADAMS 519  
 03/14/24 (H) Moved CSHB 50(FIN) Out of Committee  
 03/14/24 (H) MINUTE(FIN)  
 03/18/24 (H) FIN RPT CS(FIN) NEW TITLE 3DP 5NR 3AM  
 03/18/24 (H) DP: CRONK, D.JOHNSON, FOSTER  
 03/18/24 (H) NR: GALVIN, COULOMBE, ORTIZ,  
 TOMASZEWSKI, EDGMON  
  
 03/18/24 (H) AM: STAPP, HANNAN, JOSEPHSON  
 04/17/24 (H) TRANSMITTED TO (S)

|          |     |                                 |
|----------|-----|---------------------------------|
| 04/17/24 | (H) | VERSION: CSHB 50 (FIN)          |
| 04/19/24 | (S) | READ THE FIRST TIME - REFERRALS |
| 04/19/24 | (S) | RES, FIN                        |
| 04/22/24 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 04/22/24 | (S) | Heard & Held                    |
| 04/22/24 | (S) | MINUTE (RES)                    |
| 04/24/24 | (S) | RES AT 3:30 PM BUTROVICH 205    |
| 04/24/24 | (S) | Heard & Held                    |
| 04/24/24 | (S) | MINUTE (RES)                    |
| 05/01/24 | (S) | RES AT 3:30 PM BUTROVICH 205    |

**WITNESS REGISTER**

ANNE RITTGERS, Staff  
 Senator Bishop  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Presented the explanation of changes from Version A to R of SB 69.

BRETT HUBER, Chair  
 Alaska Oil and Gas Conservation Commission (AOGCC)  
 Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of Amendment 1 to HB 50.

JOHN BOYLE, Commissioner,  
 Department of Natural Resources (DNR)  
 Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of Amendment 2 to HB 50.

JOHN CROWTHER, Deputy Commissioner  
 Department of Natural Resources (DNR)  
 Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of HB 50.

DAN STICKEL, Chief Economist  
 Department of Revenue (DOR)  
 Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of Amendment 7 to HB 50.

**ACTION NARRATIVE**

[4:00:42 PM](#)

**CO-CHAIR CLICK BISHOP** called the Senate Resources Standing Committee meeting to order at 4:00 p.m. Present at the call to order were Senators Kawasaki, Kaufman, Dunbar, Wielechowski, Claman, Co-Chair Bishop, and Co-Chair Giessel.

**SB 69-GEOTHERMAL RESOURCES**

[4:01:37 PM](#)

CO-CHAIR BISHOP announced the consideration of SENATE BILL NO. 69 "An Act relating to geothermal resources; relating to the definition of 'geothermal resources'; and providing for an effective date."

[4:01:39 PM](#)

CO-CHAIR BISHOP solicited a motion.

[4:01:42 PM](#)

CO-CHAIR GIESSEL moved to adopt the committee substitute (CS) for SB 69, work order 33-GS1618\R, as the working document.

[4:01:53 PM](#)

CO-CHAIR BISHOP objected for purposes of discussion.

[4:02:01 PM](#)

ANNE RITTGERS, Staff, Senator Bishop, Alaska State Legislature, Juneau, Alaska, presented the explanation of changes from Version A to R of SB 69:

[Original punctuation provided.]

**Explanation of Changes**

SENATE RESOURCES CS for Senate Bill 69  
Version 33-GS1618/A to 33-GS1618/R

- The Committee Substitute adopts the following changes:
- Updated Title
- Kept the following provisions from Version A:
  - Conversion of existing geothermal prospecting permits to licenses and renaming permits to licenses (Sections 1-4 and 7)
  - Increasing the maximum acreage of licenses and moves fees to be established in regulation (Section 4)

- Repealing a provision that would allow renegotiation of rentals and royalties due on a geothermal lease after 20 years (Section 5)
- Added Section 6, AS 38.05.965(6) updated definition of geothermal resources:
  - Lowered temperature from 120 degrees Celsius to 80 degrees Celsius
- Throughout the bill, technical/conforming changes were made to align with the Manual of Legislative Drafting
- Updated effective date to July 1, 2024 in Ver. R Section 10

[4:03:30 PM](#)

[CO-CHAIR GIESSEL removed her objection.]

[4:03:31 PM](#)

[CO-CHAIR BISHOP found no further objection and CSSB 69 was before the committee.]

[4:03:32 PM](#)

CO-CHAIR BISHOP solicited the will of the committee.

[4:03:33 PM](#)

CO-CHAIR GIESSEL moved to report the committee substitute (CS) for SB 69, work order 33-GS1618\R, from committee with individual recommendations and attached fiscal note(s).

[4:03:48 PM](#)

CO-CHAIR BISHOP found no objection and CSSB 69(RES) was reported from the Senate Resources Standing Committee.

[4:03:52 PM](#)

CO-CHAIR BISHOP turned the gavel over to Co-Chair Giessel.

[4:03:53 PM](#)

At ease

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

[4:05:59 PM](#)

CO-CHAIR GIESSEL reconvened the meeting and announced the consideration of CS FOR HOUSE BILL NO. 50(FIN) "An Act relating to carbon storage on state land; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to carbon storage exploration licenses; relating to carbon storage leases; relating to carbon storage operator permits; relating to enhanced oil or gas recovery; relating to long-term monitoring and maintenance of storage facilities; relating to carbon oxide sequestration tax credits; relating to the duties of the Department of Natural Resources; relating to carbon dioxide pipelines; and providing for an effective date."

CO-CHAIR GIESSEL solicited a motion.

[4:06:25 PM](#)

SENATOR CLAMAN moved to adopt [Amendment 1], work order 33-GH1567\D.21.

33-GH1567\D.21  
Dunmire  
4/24/24

**A M E N D M E N T 1**

OFFERED IN THE SENATE BY SENATOR CLAMAN  
TO: CSHB 50(FIN)

Page 2, following line 11:

Insert a new bill section to read:

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

(o) Each year, the commission shall

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

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

Renumber the following bill sections accordingly.

Page 35, line 2:

Delete "Section 39"

Insert "Section 40"

4:06:30 PM

CO-CHAIR GIESSEL objected for purposes of discussion.

4:07:20 PM

SENATOR CLAMAN said Amendment 1 is related to an ongoing debate and court case regarding whether the Alaska Oil and Gas Conservation Commission (AOGCC) is required to track waste in the oil and gas industry - and to provide reports with this data. He stated that AOGCC has at times taken the position that it is not required to track waste once the product has passed through the distributing station. He referred to a court case involving AOGCC which clearly showed that waste tracking is part of AOGCC's statutory duty. He said that Amendment 1 would ensure that AOGCC executes this statutory duty by providing an annual waste status report to the legislature.

4:08:44 PM

SENATOR WIELECHOWSKI pointed out that AS 31.05.030(b) states:

The commission shall investigate to determine whether or not waste exists or is imminent, or whether or not other facts exist which justify or require action by it.

SENATOR WIELCHOWSKI asserted that AOGCC has not been meeting this obligation. He stated that Amendment 1 would require AOGCC to adhere to the current statutory requirement - and provide a report to the legislature. He surmised that most could remember massive waste in Cook Inlet, with leaks - which AOGCC did not investigate. He opined that the legislature has a right to ensure that the state's resources are being properly managed. He argued that this is the legislature's constitutional obligation and expressed support for Amendment 1.

4:09:36 PM

SENATOR KAUFMAN suggested that there may be a reason these obligations have not been met. He questioned whether the statutory reporting obligations are presenting a challenge - and wondered if the requirement is impracticable.

4:10:22 PM

BRETT HUBER, Chair, Alaska Oil and Gas Conservation Commission (AOGCC), Anchorage, Alaska, stated that this issue was subject to litigation and was resolved. He explained that AOGCC investigates waste as it relates to oil and gas production up to the point of severance (i.e. when the oil and gas is sold).

After the point of severance, the pipeline responsibility transfers to the Department of Environmental Conservation (DEC). He clarified that AOGCC's waste responsibility applies to the waste of any gas and/or oil resource that becomes a waste insofar as it cannot be developed to its maximum potential. He stated that AOGCC tracks waste by means of gas disposition reports and briefly described this process. He said that oil waste investigations are done via a "notice of violation" investigation and briefly described this process. He emphasized that AOGCC is fulfilling its statutory responsibility regarding waste. He said that these reports are done monthly and are available to the public via the AOGCC website. He expressed a willingness to create an additional report containing this information specifically for the legislature; however, he opined that this report would be superfluous, as the information is already made available.

[4:12:52 PM](#)

SENATOR KAUFMAN suggested that Amendment 1 may be a redundancy on the current statutory requirement.

[4:13:11 PM](#)

SENATOR CLAMAN replied that part of the issue is determining whether AOGCC's waste reporting requirements continue after the point of severance. He explained that the statute does not specify that AOGCC's reporting requirements end at the point of severance. He said that the issue in Cook Inlet was related to waste after the point to severance and involved a line that was leaking. He opined that this information should be included in AOGCC's report - regardless of whether the resource is no longer the state's property.

[4:14:13 PM](#)

CO-CHAIR GIESSEL stated that she does not mind the reporting requirement included in Amendment 1; however, she expressed concern with adding language to require post-severance reporting, as this is deviating from the original intent of HB 50.

[4:14:39 PM](#)

SENATOR CLAMAN clarified that the statute would remain unchanged and emphasized that he is most concerned with receiving a waste report from AOGCC. He agreed that post-severance waste is not the issue addressed by HB 50. He reiterated that the statute does not specify where AOGCC's waste-reporting requirement ends. He suggested that not reporting on post-severance waste may

result in additional questions - and may require follow-up in the future.

[4:15:09 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 1 was adopted.

[4:15:18 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:15:21 PM](#)

SENATOR CLAMAN moved to adopt Amendment 2, work order 33-GH1567\D.22.

33-GH1567\D.22

Dunmire

4/24/24

**A M E N D M E N T 2**

OFFERED IN THE SENATE BY SENATOR CLAMAN  
TO: CSHB 50(FIN)

Page 10, following line 1:

Insert a new subsection to read:

"(j) The commissioner or department may not issue a license under this section after June 30, 2029."

Page 10, following line 18:

Insert a new subsection to read:

"(d) The commissioner or department may not issue a lease under this section after June 30, 2029."

Page 11, following line 10:

Insert a new subsection to read:

"(f) The commissioner or department may not issue a lease under this section after June 30, 2029."

Page 21, following line 4:

Insert a new subsection to read:

"(g) The commission may not issue a new permit under this section after June 30, 2029."

[4:15:25 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:15:29 PM](#)

SENATOR CLAMAN said Amendment 2 is a sunset provision. He pointed out that the intention of HB 50 is to create a structure for carbon capture based on hypothetical scenarios - and Amendment 2 would allow for ease of continuation (if what is put in place now is working well in the future) or adjustment, if needed. He expressed concern about legislation that is based on hypothetical scenarios due to their inherent uncertainty and emphasized the need for a sunset provision.

[4:17:01 PM](#)

JOHN BOYLE, Commissioner, Department of Natural Resources (DNR), Anchorage, Alaska, said that DNR is opposed to Amendment 2 as it is currently written. He emphasized that a five-year sunset window is too brief, due to the newness of the industry. He pointed out that there are no carbon capture, utilization, and storage (CCUS) projects currently in place and suggested that the sunset provision could lessen confidence within the investment community as it considers Alaska CCUS projects. He shared his belief that a short sunset window may drive investors to consider longer, more secure options. He stated that, in general, development projects can take up to ten years and reiterated that five-years is too short. He added that this, combined with no associated credits, is overly constrictive - particularly when the intention is to encourage the market and developers to visit Alaska and consider the opportunities that are available. He expressed confidence in future legislatures' ability to make changes as needed. He emphasized that Amendment 1 would dampen potential investments before the industry has been established.

[4:20:43 PM](#)

CO-CHAIR BISHOP agreed that projects often take a decade to begin, even without challenges.

[4:21:03 PM](#)

SENATOR KAUFMAN agreed that this would dampen the potential for CCUS projects in Alaska and stated that he does not support Amendment 2.

[4:21:22 PM](#)

SENATOR CLAMAN noted that Amendment 2 would not prohibit DNR from entering into a carbon storage lease agreement that extended well beyond the 5-year sunset date. He said that adding a sunset date for the law does not mean the legislature could terminate the lease agreement; rather, it would mean that the legislature could renew the law under reasonable terms.

CO-CHAIR GIESSEL found the objection was maintained and asked for a roll call vote.

[4:22:33 PM](#)

A roll call vote was taken. Senators Kawasaki, Dunbar, and Claman voted in favor of Amendment 2 and Senators Wielechowski, Kaufman, Bishop, and Giessel voted against it. The vote was 3:4.

[4:22:35 PM](#)

CO-CHAIR GIESSEL announced that Amendment 2 failed on a vote of 3 yeas and 4 nays.

[4:22:38 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:22:45 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 3, work order 33-GH1567\D.29.

33-GH1567\D.29  
Dunmire  
4/30/24

**A M E N D M E N T 3**

OFFERED IN THE SENATE  
TO: CSHB 50(FIN)

Page 12, following line 5:

Insert a new section to read:

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

[4:22:50 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:23:13 PM](#)

SENATOR WIELECHOWSKI said that he worked with DNR to draft Amendment 3, which relates to removal and restoration after license and/or lease termination. He stated that DNR has indicated support for the amendment.

[4:23:30 PM](#)

COMMISSIONER BOYLE said DNR has no objection to Amendment 3.

[4:23:44 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 3 was adopted.

[4:24:01 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:24:17 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 4, work order 33-GH1567\D.34.

33-GH1567\D.34  
Dunmire  
4/30/24

**A M E N D M E N T 4**

OFFERED IN THE SENATE  
TO: CSHB 50 (FIN)

Page 8, line 9, following "proposal":  
Insert ", including a proposal for the  
authorization of subsurface storage of oil or gas  
under AS 38.05.180(u),"

[4:24:21 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:24:26 PM](#)

SENATOR WIELECHOWSKI said that he worked with DNR to draft Amendment 4, which addresses the potential for competing wells in Cook Inlet. He explained that this amendment would require DNR to provide public notice when there is interest in an exploratory license. This would help to ensure that a lease is not inadvertently given for carbon storage in a gas storage well that may be needed in Cook Inlet. He opined that it is in the state's best interest to prioritize gas storage over carbon storage in Cook Inlet. He clarified that Amendment 4 does not prioritize gas storage; however, it provides notice when there is interest. He opined that it is important to inform the public.

[4:25:15 PM](#)

COMMISSIONER BOYLE said that DNR has no objection to Amendment 4.

[4:25:26 PM](#)

SENATOR KAUFMAN asked whether it is very likely for carbon storage to compete with gas storage in this way - or whether different formations would lend themselves to either carbon or gas.

[4:25:58 PM](#)

JOHN CROWTHER, Deputy Commissioner, Department of Natural Resources (DNR), Anchorage, Alaska, replied that DNR does not believe this is a likely scenario; however, DNR appreciates the intent to clarify this in statute. He stated that DNR has no objection to Amendment 4.

[4:26:22 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 4 was adopted.

[4:26:38 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:26:39 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 5, work order 33-GH1567\D.35.

33-GH1567\D.35  
Dunmire  
4/30/24

**A M E N D M E N T 5**

OFFERED IN THE SENATE  
TO: CSHB 50(FIN)

Page 6, lines 10 - 14:  
Delete all material.

Page 6, lines 30 - 31:  
Delete "applicable to a carbon storage exploration license under regulations adopted under AS 38.05.700(c)"  
Insert "that is at least \$20 an acre"

Page 7, lines 5 - 6:  
Delete "meet the requirements of regulations adopted under AS 38.05.700(c)"  
Insert "provide for  
(A) an annual rent of at least \$20 an acre;

and

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

Page 7, following line 22:

Insert a new subsection to read:

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

Page 7, line 29:

Delete "under regulations adopted under AS 38.05.700(c)"

Insert "that satisfy the requirements of AS 38.05.705(c)(3)"

Page 10, line 12:

Delete "or in regulation"

Page 10, following line 12:

Insert a new subsection to read:

"(c) Notwithstanding (b) of this section, if the commissioner determines that a carbon storage project is in the best interests of the state and would not be economically feasible under the commercial terms set by the license, the commissioner may issue the carbon storage lease under alternative commercial terms. A lease issued under this subsection must be supported by a written finding that contains specific factual details justifying the decision, an explanation of the commissioner's reasons for issuing the lease, and a description of the original terms and the alternative terms of the lease. The finding must be published on the commissioner's publicly available Internet website."

Reletter the following subsection accordingly.

Page 10, lines 14 - 15:

Delete "as set out in the commissioner's finding under AS 38.05.710(c)"

Page 10, lines 30 - 31:

Delete "as required by regulations adopted under

AS 38.05.700(c) "

Insert "that satisfy the requirements of  
AS 38.05.705(c)(3) "

[4:26:46 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:26:51 PM](#)

SENATOR WIELECHOWSKI said that he worked with DNR to draft Amendment 5, which adds back minimum terms that were removed in the House. In addition, it contains a mechanism by which the commissioner can lower these terms, if it is in the best interest of project economics. He said that HB 50 provides that the acreage and exploration fees are established by the commissioner - and this would create a minimum \$20 per acre CCUS license fee and an injection fee of \$2.50 per ton. This amount would be increased every five years, based on the Consumer Price Index (CPI). He reiterated that the commissioner would be able to lower these terms if the project is deemed uneconomic - and if it is determined to be in the best interest of the state. He shared his understanding that DNR is in support of this amendment.

[4:28:29 PM](#)

COMMISSIONER BOYLE expressed appreciation to Senator Wielechowski for working with DNR on Amendment 4. He said that historically, DNR has opposed set minimums, as the project economics are unknown. He opined that there are myriad CCUS opportunities - and each scenario can have markedly different project economics and cost structures. He explained that having no set minimum allows for greater project flexibility and opined that the provision allowing the commissioner to consider the minimum on a project-by-project basis is a good solution. He stated that DNR supports Amendment 4.

[4:30:00 PM](#)

CO-CHAIR BISHOP asked how the state would gather revenue if the fees went below the minimums.

[4:30:17 PM](#)

COMMISSIONER BOYLE offered a hypothetical situation and stated that in some cases - though the state may recognize a significant source of revenue - the minimum fees may not be economically feasible for the other party. In that case, if the fees can be lowered such that the state would receive something less than the minimum - but more than zero - this would be in the state's best interest.

[4:31:39 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 5 was adopted.

[4:31:54 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:31:59 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 6, work order 33-GH1567\D.39.

33-GH1567\D.39

Dunmire

5/1/24

**A M E N D M E N T 6**

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI  
TO: Amendment D.35 to CSHB 50(FIN)

Page 1, before line 1 of the amendment:

Insert new material to read:

"Page 2, following line 15:

Insert a new bill section to read:

**"\* Sec. 5.** AS 37.13.010(a) is amended to read:

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

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

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

(3) any other money appropriated to or

otherwise allocated by law or former law to the Alaska permanent fund."

Renumber the following bill sections accordingly."

Page 1, line 17 of the amendment:

Delete "a new subsection"

Insert "new subsections"

Page 1, line 21 of the amendment:

Delete ""

Page 1, following line 21 of the amendment:

Insert a new subsection to read:

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

Page 2, following line 26 of the amendment:

Insert new material to read:

"Page 11, line 27, following "provided":

Insert "in AS 38.05.705(h) or"

Page 35, line 2:

Delete "Section 39"

Insert "Section 40"

[4:32:03 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:32:06 PM](#)

SENATOR WIELECHOWSKI said that Amendment 6 amends Amendment 5. He explained that lines 14-15 explicitly declares that injection charges generated as revenue for the state are considered a royalty share for use of the state's mineral resources. He surmised that there may be some question of whether these are royalties, since they are going into the state's pore space - and opined that this provides clarity. He shared his understanding that DNR is accepting of these changes.

[4:33:02 PM](#)

CO-CHAIR GIESSEL said that Amendment 6 refers to AS 38.05.705(c)(3)(b), which can be found in lines 9-14 of Amendment 5.

[4:33:50 PM](#)

COMMISSIONER BOYLE said that DNR considers this to be a valid legislative policy and does not oppose Amendment 6.

[4:34:14 PM](#)

SENATOR WIELECHOWSKI pointed out that there is a minor drafting error in Amendment 6. He said that this amendment provides for carbon storage injection royalties under AS 38.05.705 (c)(3)(b); however, the drafter did not account for the commissioner's ability to alter this under AS 38.05.715 (c).

[4:34:49 PM](#)

SENATOR WIELECHOWSKI moved to adopt Conceptual Amendment 1 to Amendment 6, which would add a provision to Page 1, line 15 stating, "or as altered by the commissioner under AS 38.05.715 (c)".

[4:35:16 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:35:25 PM](#)

CO-CHAIR GIESSEL removed her objection. [She found no further objection and Conceptual Amendment 1 to Amendment 6 was adopted.]

CO-CHAIR GIESSEL returned the committee's attention to Amendment 6, as amended.

[4:35:42 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 6, as amended, was adopted.

[4:36:12 PM](#)

At ease

[4:37:25 PM](#)

CO-CHAIR GIESSEL reconvened the meeting.

[4:37:31 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:37:41 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 7, work order 33-GH1567\D.36.

33-GH1567\D.36  
Dunmire  
4/30/24

A M E N D M E N T 7

OFFERED IN THE SENATE  
TO: CSHB 50(FIN)

BY SENATOR WIELECHOWSKI

Page 1, line 5, following "**credits**;"

Insert "**relating to the oil and gas production tax**;"

Page 32, following line 13:

Insert a new bill section to read:

"\* **Sec. 38.** 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;

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

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

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

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

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

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

(18) that portion of expenditures, that would otherwise be qualified capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that are less than the product of \$0.30 multiplied by the total taxable production from each

lease or property, in BTU equivalent barrels, during that calendar year, except that, when a portion of a calendar year is subject to this provision, the expenditures and volumes shall be prorated within that calendar year;

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

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

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

(C) "replacement" includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant,

regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the 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 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 costs associated with obtaining, operating, or maintaining a license or lease under AS 38.05.700 - 38.05.795, fees incurred under AS 41.06.160, or surcharges incurred under AS 41.06.175."

Renumber the following bill sections accordingly.

Page 35, line 2:

Delete "Section 39"

Insert "Section 40"

[4:37:46 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:37:50 PM](#)

SENATOR WIELECHOWSKI said that the fundamental changes made by Amendment 7 can be found on Page 4, lines 17-22. He said that previous testimony indicated that CCUS projects are expensive and therefore uneconomic. He pointed out that, according to DNR and DOR, there are no CCUS projects (although they can currently be done) as a result. He said that the lease expenditure statute is contorted by the fact that an extremely expensive (and thus

uneconomic) project will likely become economic as 45Q tax credits become available. (He noted that these credits have been available; however, the technology is just now reaching a place where companies are able to use them.) He referred to a prospective field on the North Slope - and shared his understanding that several companies are considering this field. However, previous testimony indicated that the state would face over \$400 million in lost revenue. He noted that the Willow Project was rushed through during the previous legislative session and received unanimous support. He surmised that not many were aware that the state does not receive royalties for that project; however, the lease expenditures cost \$600 million in 2024 and are projected to cost \$550 million in 2025 and will continue to cost similar amounts in the succeeding years.

[4:40:25 PM](#)

SENATOR WIELECHOWSKI stated that Amendment 7 is an attempt to prevent this kind of significant budget loss from happening again. He acknowledged that this may not occur; however, he opined that there is no problem with adding provisions to help avoid this. He said that he has spoken with DNR and the Department of Revenue (DOR) about these changes and is committed to working with them. He reiterated that he does not want this to be restrictive and reiterated his concerns regarding 45Q tax credits. He argued that this has the potential to cost the state hundreds of millions of dollars - or even billions of dollars - in lost revenue. He said that DNR can speak to concerns regarding the language. He expressed concern about the state potentially funding billions of dollars' worth of projects that are also receiving 45Q tax credits. He clarified that CCUS projects should not be (and are not) receiving these credits - which could be confirmed by DNR. He opined that it is in the state's best interest to ensure that this does not happen. He expressed a desire to support enhanced oil recovery (EOR) but expressed doubt that EOR with carbon would become more economic for the state.

[4:42:57 PM](#)

COMMISSIONER BOYLE said that DNR is opposed to Amendment 7 as currently written. He explained that HB 50 would authorize the leasing and regulation of underground, permanent CO2 storage. He said that this provides an opportunity to grow the state's economy and monetize a resource that has not been utilized. He clarified that the 45Q tax credit program has been in place since 2008. The amount of the credit is set to increase - and this will provide additional incentive for companies to consider the various options available to them. He explained that there

is a \$60 credit for captured carbon that is utilized in enhanced oil recovery - and there are no restrictions on this credit. Currently, companies qualified for this credit are also entitled to a state credit, because the current state tax code has adopted section 45Q of the federal tax code.

[4:45:50 PM](#)

COMMISSIONER BOYLE said that the current version of HB 50 has closed the state portion of this credit, reducing the total amount companies would receive. He said that market economics and project viability are the primary barriers to these projects. He briefly discussed lease expenditures and shared his understanding that CCUS projects would not be able to claim these expenditures as lease expenditures under the existing production tax code. He stated that Amendment 7 would remove the ability for companies to utilize the 45Q tax credit.

[4:47:45 PM](#)

COMMISSIONER BOYLE expressed concern that the language of Amendment 7 is extremely broad and may inadvertently impact existing, ongoing, EOR efforts - rather than simply applying to projects that are utilizing captured carbon for EOR. He stated that DNR understands the concerns behind the amendment. He indicated a willingness to put a mechanism in place that would ensure that the state is not potentially losing revenue from lease expenditures - while also leaving the door open for beneficial projects.

[4:50:40 PM](#)

MR. CROWTHER noted that the hypothetical situation discussed at the previous hearing featured a project that covered all North Slope activity and involved roughly 2 million tons of CO2 capture. He stated that a project of this size is unlikely to happen more than once in Alaska.

[4:51:31 PM](#)

CO-CHAIR GIESSEL asked him to elaborate on the complexity of utilizing CO2 for EOR, and the costs of the technology used.

[4:51:54 PM](#)

COMMISSIONER BOYLE explained that CO2 can be corrosive when hydrated or associated with water and therefore poses a challenge for use in EOR. He said that the facilities, pipelines, and injection wells that handle CO2 are built to specifications that surpass those of typical oil and gas infrastructure. He explained that, while CO2 alone creates myriad challenges, CO2 can be mixed with polymers and other

additions that would then allow for its use in EOR. He surmised that a lack of projects - in spite of available credits - is a good indication that CO2 for EOR is not economic at this time. He reiterated that CO2 can be mixed with various additives and opined that it should be considered as a potential feed stock for EOR.

[4:54:55 PM](#)

MR. CROWTHER referred again to the hypothetical project presented at the previous meeting and said that the majority of the costs were associated with CO2 capture - rather than operations in the field. He clarified that in the international conversation regarding these types of projects, CO2 capture is the cost driver.

[4:55:59 PM](#)

DAN STICKEL, Chief Economist, Department of Revenue (DOR), Juneau, Alaska, said that DOR allows direct costs of oil and gas production as lease expenditure deductions in the oil and gas production tax. He noted that AS 43.55.165 contains a list of items that the legislature has disallowed as lease expenditure deductions. He explained that Amendment 7 would add any carbon-capture related costs to the list of items that are not allowable lease expenditures.

[4:56:55 PM](#)

CO-CHAIR BISHOP asked if Amendment 7 delineates between point source capture and capture for EOR purposes.

[4:57:13 PM](#)

MR. STICKEL replied that this distinction is the key point for DOR. He explained that, in current law, a standalone carbon capture facility would not be an allowable lease expenditure. He noted that HB 50 would not change this. However, current law does allow lease expenditure deductions for a portion of the costs from carbon capture facilities that are tied in with EOR. He explained that these costs must be deemed "ordinary and necessary, upstream, direct costs related to EOR." He stated that Amendment 7 would disallow any costs associated with carbon capture, regardless of whether the carbon capture is associated with EOR. He said that DOR opposes Amendment 7 and added that the purpose of HB 50 is to establish the framework for standalone carbon capture, whereas the amendment changes how carbon capture is treated under current law.

[4:58:34 PM](#)

SENATOR WIELECHOWSKI agreed that Amendment 7 does address ordinary and necessary costs - which are currently allowable. He argued that the ordinary and necessary costs for carbon capture EOR are extraordinarily expensive. He pointed out that many recent policy decisions have indicated that these costs are not supported by the legislature. He listed several states that do not allow these types of lease expenditure deductions. He said that, while there are no current projects - and if future projects are unlikely - Amendment 7 would simply offer additional support to ensure that the state's interests are protected. He pointed out that even one project at the level presented by DNR at the previous hearing would cost the state \$400-\$800 million. He said that he would be happy to work with DOR to address this issue and come up with a solution. He expressed concern and reiterated that federal tax credits could potentially cost the state hundreds of millions - or billions - of dollars in lost revenue.

[5:01:26 PM](#)

MR. STICKEL replied that DOR does not seek to make changes to current law that would disincentivize investors. He expressed a willingness to discuss this further and hopefully come to a compromise.

[5:01:51 PM](#)

CO-CHAIR BISHOP asked if modeling and quantification are sought to ensure that any changes made do not disincentivize investments.

[5:02:05 PM](#)

MR. STICKEL replied that DNR has done some modeling of potential projects. He acknowledged that any project with a carbon capture facility associated with EOR would be eligible for partial-cost lease expenditure deductions - and this could potentially impact state revenues at a future time. He reiterated that DOR seeks to maintain a positive investment climate.

[5:02:53 PM](#)

CO-CHAIR GIESSEL noted that Amendment 7 to HB 50 was pending adoption.

[5:03:19 PM](#)

[CO-CHAIR GIESSEL held HB 50 in committee.]

[5:03:49 PM](#)

There being no further business to come before the committee, Co-Chair Giessel adjourned the Senate Resources Standing Committee meeting at 5:03 p.m.