REPRESENTATIVE
DONNA MEARS

For Immediate Release

Committee Moves to Give Away Alaska's Resources to Big Oil, Mears Stands Opposed

The House Resources yesterday moved HB 50, the Governor's carbon sequestration and underground storage bill (HB 50), from committee with no defined revenue or royalty provisions, swiftly moving Alaska one step closer to giving away another of Alaska's resources.

The administration, which introduced the bill just last month, provided no market analysis or projections of state revenue from this program. The Governor's budget, however, includes $300 million in new revenue in FY24 from carbon storage (this bill and HB49).

As introduced, HB 50 would have had the state collect $2.50/ton of carbon injected on state lands state lands leased for CCUS[i]. The Resources Committee stripped out these minimum revenue terms, leaving any state revenue up to future regulation and allowing flexibility for the Department of Natural Resources (DNR) to waive those regulations at the commissioner's discretion for certain projects.

Given that most CCUS projects will be collocated with oil and gas production for reasons pertaining to the availability of CO_2 and drilling equipment, the decision to remove revenue minimums leaves the door wide open for a giveaway to the oil industry and punts the legislature's responsibility to ensure maximum benefit for Alaskans to DNR.

Rep. Donna Mears made a compromise amendment to reestablish similar revenue minimums—4% of gross revenue from carbon credit sales—to those that had been taken out, only using a percentage take to provide additional flexibility if prices change. The majority voted in lock step to block it.

Rep. Mears had another amendment that would have prevented oil developers from writing off expenses for construction of carbon storage infrastructure against their oil production tax liability. The majority rejected the amendment, voting to allow oil producers to have their operations subsidized by federal tax credits for CCUS at the same time they would write off development expenses against their Alaska taxes. Without this amendment, the state could lose money on this proposal.

Of the committee's action, Rep. Mears said:

Room 112, State Capitol
Session Address ★ 120 4th Street, Juneau, AK 99801
Interim Address ★ 1500 W. Benson Blvd., Anchorage, AK 99503

/Rep.Mears Rep.Donna.Mears@akleg.gov (907) 465-3438

"I'm fully supportive of the paradigm shift that carbon has value underground, but the selling point of this bill is for generating new revenue for the state. As is, this bill does not do that. The framework simply needs more time and effort."

"These common-sense changes would have ensured that Alaskans get their fair share from resource development. I was disappointed by the lack of traction they received."

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[i] The federal government provides at minimum \$60/ton in tax credits for geologic sequestration of CO_2. Leaving aside whatever price the market would pay, this works out to **at most** a 4.2% take for the State of Alaska, much lower than the 12.5% royalty rate for oil and gas, to say nothing of production taxes on those resources.

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