

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 571** HLS 23RS 105
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|--|----------|-----------------------------|
| Date: June 3, 2023 | 11:04 AM | Author: SCHEXNAYDER |
| Dept./Agy.: Natural Resources | | Analyst: Chris Henry |
| Subject: Geologic Sequestration of Carbon Dioxide | | |

ENERGY RRF SEE FISC NOTE LF RV Page 1 of 2
 Provides relative to carbon capture and sequestration

Proposed law establishes regulations and redistributes fees for various aspects of carbon capture and sequestration. Requires notice be given to parish governing authorities on applications for class V or VI well permits and for applications to conduct geophysical surveys in their respective parish. Provides for the allocation of funding received from contractual agreements entered into by the Office of Mineral Resources related to the storage of carbon dioxide on state owned lands and water bottoms. Proposed law changes the fee levied by the commissioner of conservation from a charge per individual operator to a charge on each carbon storage facility. Proceeds from this fee are deposited into the statutorily dedicated Carbon Dioxide Geologic Storage Trust Fund (Trust Fund). Proposed law adds to the purposes of the Trust Fund remediation associated with, arising from, or related to the site including property remediation.

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | | | | | \$0 |

| REVENUES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | INCREASE | INCREASE | INCREASE | DECREASE | DECREASE | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | DECREASE | DECREASE | DECREASE | DECREASE | INCREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

There will be an increase in expenditures from the Carbon Dioxide Geologic Storage Trust Fund resulting from the increase in collections beginning when the first operators commence injection. This could occur as early as FY 25 and will gradually increase as more facilities begin operations. The monies in the fund can only be used by the Office of Conservation for specific purposes enumerated in R.S. 30:1110 (E); proposed legislation also adds language requiring a two-thirds vote of the legislature to add new, additional uses for monies in the Trust Fund.

The change in distributions collected from carbon capture agreements is not anticipated to result in increased expenditures for the Department of Natural Resources (DNR). The effects of the distribution change on collections is detailed on page 2.

REVENUE EXPLANATION

The proposed legislation changes the distribution of funds collected on contractual agreements with the Office of Mineral Resources and operators engaging in carbon capture and sequestration on state owned lands and water bottoms. In the current system, all bonus payments are deposited into the SGF, all liquidated damages payments are deposited into the statutorily dedicated Mineral and Energy Operation Fund (M&EO Fund), and injection payments are split with 75% deposited into the SGF and 25% into the M&EO Fund. The proposed law changes the distribution of collections regardless of its originating source to where 30% is deposited into the M&EO Fund, 30% remitted back to the parish governing authority in which the injection site is located, and 40% is deposited to the SGF. Timing of the payments in an agreement varies, but typically bonus payments are made in the initial years, followed by liquidated damages payments, and finally injection payments. Based on the four current carbon capture and sequestration agreements on state owned property and assuming the minimum injection payments beginning in the fifth year of the agreements (FY 27), this would result in the following net changes during the next five fiscal years: decrease of \$1,256,534 to SGF, decrease of \$11,919,816 to the M&EO fund, and an increase of \$13,176,350 to the parish governing authorities.

Continued on page two

| | | |
|--|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux
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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

The proposed legislation would increase revenue deposited into the Carbon Dioxide Geologic Storage Trust Fund (Trust Fund). Current law authorizes a fee charged on storage operators over 144 months (12 years) based on the tonnage of carbon injected, not to exceed a total of \$5 M regardless of how many facilities they operate. Proposed legislation changes the levy from operator based to facility based, retaining the \$5 M cap but also changing it to a per facility basis. Includes additional provisions that an individual operator with more than one facility ceases to have to pay the fee once it has contributed a total of \$10 M to the Trust Fund, regardless if more than two facilities are operated. Should expenditures from the fund cause the balance to fall below \$4 M for a facility, the fees will resume. Similarly, if the balance falls below \$8 M for an operator with more than one facility the commissioner of conservation can resume collections of the fee. This change has the potential to significantly increase revenues deposited into the Trust Fund depending on the number of operators with more than two facilities. The tables below are an illustrative example which compares this change presuming no operator has more than two facilities:

| <u>CURRENT LAW</u> | | | <u>PROPOSED LAW</u> | | |
|------------------------------------|------------------------------|---------------------------------------|------------------------------------|-------------------------------|---------------------------------------|
| (\$5 M over 12 years per Operator) | | | (\$5 M over 12 years per Facility) | | |
| <u>Fiscal Year</u> | <u># Operators Injecting</u> | <u>Max. Annual Fee (Per Operator)</u> | <u>Fiscal Year</u> | <u># Facilities Injecting</u> | <u>Max. Annual Fee (Per Facility)</u> |
| 2023-24 | 0 | \$0 | 2023-24 | 0 | \$0 |
| 2024-25 | 1 | \$416,667 | 2024-25 | 1 | \$416,667 |
| 2025-26 | 1 | \$416,667 | 2025-26 | 2 | \$833,333 |
| 2026-27 | 2 | \$833,333 | 2026-27 | 3 | \$1,250,000 |
| 2027-28 | 5 | \$2,083,333 | 2027-28 | 8 | \$3,333,333 |
| 2028-29 | 9 | \$3,750,000 | 2028-29 | 16 | \$6,666,667 |
| 2029-30 | 13 | \$5,416,667 | 2029-30 | 22 | \$9,166,667 |
| 2030-31 | 15 | \$6,250,000 | 2030-31 | 24 | \$10,000,000 |
| 2031-32 | 15 | \$6,250,000 | 2031-32 | 24 | \$10,000,000 |
| 2032-33 | 15 | \$6,250,000 | 2032-33 | 24 | \$10,000,000 |
| 2033-34 | 15 | \$6,250,000 | 2033-34 | 24 | \$10,000,000 |
| 2034-35 | 15 | \$6,250,000 | 2034-35 | 24 | \$10,000,000 |
| 2035-36 | 15 | \$6,250,000 | 2035-36 | 24 | \$10,000,000 |
| 2036-37 | 14 | \$5,833,333 | 2036-37 | 23 | \$9,583,333 |
| 2037-38 | 14 | \$5,833,333 | 2037-38 | 22 | \$9,166,667 |
| 2038-39 | 13 | \$5,416,667 | 2038-39 | 21 | \$8,750,000 |
| 2039-40 | 10 | \$4,166,667 | 2039-40 | 16 | \$6,666,667 |
| 2040-41 | 6 | \$2,500,000 | 2040-41 | 8 | \$3,333,333 |
| 2041-42 | 2 | \$833,333 | 2041-42 | 2 | \$833,333 |
| TOTAL | | \$75,000,000 | TOTAL | | \$120,000,000 |

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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