

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 661** HLS 09RS 503
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: July 8, 2009 8:17 AM	Author: MORRIS
Dept./Agy.: Natural Resources	Analyst: Stephanie C. Blanchard
Subject: Louisiana Geologic Sequestration of Carbon Dioxide Act	

CONSERVATION EN +\$239,325 SD EX See Note Page 1 of 2
 Provides with respect to the geological sequestration of carbon dioxide

Proposed law provides for policy and jurisdiction of the commissioner of conservation over the geologic storage and withdrawal of carbon dioxide, including the promulgation of rules related to the setting and collection of fees and civil penalties. Requires public hearings to be conducted when requested by an interested person. Provides that for violations, the commissioner shall issue a compliance order or commence a civil action. Civil penalties may be no more than \$5,000 per day per violation. Establishes the Carbon Dioxide Geological Storage Trust Fund which shall be funded by fees, penalties, bond forfeitures, private contributions, interest on deposited funds, civil penalties, costs recovered from responsible parties, grants, donations, and site-specific trust accounts. Provides for uses of the fund. Commissioner is authorized to levy a per tonnage of carbon dioxide stored fee on operators up to a maximum of \$5 million and he shall suspend the collection of the fee once the balance in the fund equals \$4 million and will resume once the balance falls below that amount. Commissioner shall set a regulatory fee not to exceed \$50,000 for FY 2010-2011 and an application fee not to exceed 8.5% above the amount charged on July 10, 2010. Provides that administrative costs may be paid from the Oil & Gas Regulatory Fund until June 30, 2014 and shall not exceed \$750,000 per year. Requires such payment be repaid by the Carbon Dioxide Storage Trust Fund by June 30, 2018.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$239,325	\$304,690	INCREASE	INCREASE	\$544,015
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>	<u>\$0</u>
Annual Total	\$0	\$239,325	\$304,690	\$0	\$0	\$544,015

REVENUES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$100,000	\$230,000	\$330,000
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$100,000	\$230,000	\$330,000

EXPENDITURE EXPLANATION

Implementation of the proposed legislation places responsibility in the Office of Conservation within DNR to promulgate rules, prepare program description, establish permitting procedure, set fees and regulations for Class VI injection wells, and ultimately submitting to the US Environmental Protection Agency (USEPA) for approval and primacy to inact the program for carbon dioxide sequestration. The Office of Conservation's efforts will commence subsequent to the USEPA establishing it's Class VI injection well program, possibly by January 1, 2011. There will be no impact in FY 09-10. State rules are presumed effective July 1, 2012 at which time initial applications will be received for consideration. According to DNR, estimated expenditures for the implementation year FY 10-11 will be the following:

- Personal Services – \$212,025 (four full time positions, 20 pay periods)
- Operating Expenses – \$10,500 (travel, supplies and miscellaneous expenses)
- Equipment – \$16,800 (computers or laptops, printers, and other office equipment)

Until the program becomes fully funded by the Carbon Dioxide Storage Trust Fund, administrative costs will be paid from the Oil and Gas Regulatory Fund. All funds expended from this fund are required to be repaid by the new fund by June 30, 2018.

The initial requested four positions would be an attorney, geologist, engineer, and administrative assistant. The attorney would provide guidance and lead in the development of rules and regulations for the development and operation of storage facilities and pipelines transmitting carbon dioxide to storage facilities. State rule promulgation would be subsequent to the issuance of final rules, and following notice and public hearing, would be subject to approval by the USEPA.

The geologist position would initially assist in the development of rules to include protocol for geologic area of review for proposed reservoir to ensure suitability and feasibility for use as required by the legislation; perform geologic study during application review in order to qualify reservoir integrity to prevent contamination of other formations; and conduct continual reviews for monitoring storage project as required.

(Continued on page 2)

REVENUE EXPLANATION

Revenues to the Carbon Dioxide Storage Trust Fund will begin to occur in FY 12-13 and is estimated at \$100,000. It is assumed that the initial funding will be obtained from the annual regulatory fee levied per well, with additional funding in FY 13-14 received once injection commences. The program may become fully funded by the Carbon Dioxide Storage Trust Fund in FY 14-15 based on an increased total injection volume.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:
Continued Expenditure Explanation:

The engineer position would initially assist in development of rules to include guidelines for well construction, maintenance, abandonment and monitoring; Perform engineering study as required during area review for processing applications to determine adequacy of intended well before construction, as well as construction of surface facilities incidental to storage operation; and evaluate and establish criteria for long term maintenance and site restoration assessments for site specific trust accounts.

The administrative coordinator would provide administrative assistance as needed during rule making and promulgation process; maintain records and documents as required for storage facility applications, hearing notices and transcripts, Carbon Dioxide Geologic Storage Trust Fund, and other administrative requirements.

DNR estimates that three additional positions (engineer and 2 conservation enforcement specialists) would be needed in FY 12-13. The cost for these additional positions in FY 12 would be \$143,295. The conservation enforcement specialists would inspect storage sites, wells, facilities to assure compliance with state rules and regulations. Additional responsibilities include qualification of long term maintenance and site restoration assessments for site specific trust accounts, qualification of pipeline construction and pipeline safety requirements. If these additional positions prove to be necessary, total expenditures in FY 13 and FY 14, including office equipment in FY 13, are estimated at \$530,085 and \$459,485, respectively. The Legislative Fiscal Office believes that not all positions may be necessary at the onset of this program or the additional positions in FY 12-13. As transactions and workload increase DNR may need to increase staff, which could be funded by revenues generated by the program.

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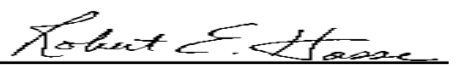
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Dual Referral Rules

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6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease


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