SUBJECT: Creation of an offshore carbon dioxide repository

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 9 ayes — Cook, Chisum, Burnam, Dunnam, Farrar, Hancock, Legler, Veasey, Weber

0 nays

WITNESSES: For — Scott Anderson, Environmental Defense Fund; John W. Fainter, Jr., Association of Electric Companies of Texas, Inc.; Andy Wilson, Public Citizen; *(Registered, but did not testify,* Jay Dauenhauer, Clean Coal Technology Foundation of Texas; Gary Gibbs, American Electric Power Company; Shannon Lucas, Texas Mining and Reclamation Association; Jerry Valdez, Greater Houston Partnership; Mance Zachary, Luminant)

Against — None

On — Ian Duncan, Bureau of Economic Geology, University of Texas; Darrick E. Eugene, Texas Carbon Capture and Storage Association; Jerry Patterson, General Land Office; Kathleen White, Texas Public Policy Foundation)

BACKGROUND: Offshore geologic storage of carbon dioxide is a component of emerging Carbon Capture and Storage (CCS) technology. CCS involves removing anthropogenic carbon dioxide from the air and storing it in the earth for long periods of time. CCS technologies include carbon capture, gasification, sequestration, and storage. Offshore geologic storage of carbon dioxide involves injecting carbon dioxide into underwater salt formations for permanent storage.

DIGEST: **Offshore repository.** CSHB 1796 would permit the General Land Office (GLO), in conjunction with the Bureau of Economic Geology (BEG) at the University of Texas at Austin, to build and operate a carbon dioxide repository on state-owned offshore submerged land. The bill would require Texas rules to be updated to comply with federal standards if the EPA were to issue standards on offshore geologic storage of carbon dioxide.

Location. The land commissioner would contract with the BEG to conduct a study to determine the best location for the repository. The School Land Board ultimately would decide where the repository would be located. The School Land Board would lease land from the Permanent School Fund for construction of the repository.

Fees. After building the repository, the board would begin accepting carbon dioxide for storage in exchange for a fee. If Texas were to participate in a carbon credit program, the fee could be assessed in units of carbon credits. The bill would prohibit the commission from setting rates for transporting carbon dioxide to the repository.

Scientific monitoring. The BEG would measure and monitor the permanent storage of carbon dioxide in the repository and provide this information to the board.

Ownership. The board would be the owner of any carbon dioxide stored in the repository, and it would be considered property of the Permanent School Fund. Carbon dioxide producers would not be liable for carbon dioxide after it was transferred to the Permanent School Fund.

Annual report. The bill would require the land commissioner to post annually a report to the GLO's website that included:

- the volume of carbon dioxide stored;
- the total volume of carbon dioxide received for storage; and
- the volume of carbon dioxide received from each carbon dioxide producer.

The bill would take effect September 1, 2009.

SUPPORTERS SAY:

CSHB 1796 would place Texas on the path to become the world's leader in long-term storage of carbon dioxide. Texas is fortunate to have vast deep brine aquifers offshore with the capacity to store tremendous amounts of carbon dioxide. This land currently is the property of the Permanent School Fund, but could be leased for the purpose of storing carbon dioxide. CSHB 1796 would lay the groundwork for Texas to construct an offshore carbon dioxide storage repository.

CSHB 1796 would prepare Texas to compete in the market for carbon credits if the federal government were to institute a compulsorily cap-and-trade system. Last month, the Environmental Protection Agency (EPA)

ruled that carbon dioxide and other greenhouse gases are a danger to public health. This ruling was the first step along the path to regulations on carbon dioxide emissions. The offshore carbon dioxide repository created by the bill could allow Texas to gain valuable carbon credits for accepting greenhouse gases from all over nation.

The Bureau of Economic Geology at the University of Texas at Austin is a world-class research institution, with the scientific expertise to advise policymakers on decisions about offshore carbon storage. Scientists at the school of economic geology are international leaders in the field of CCS technology. CSHB 1796 would allow policy makers to work with experts to develop CCS technology.

OPPONENTS SAY:

Carbon capture and storage technologies have not been proven and do not represent the most environmentally friendly option for combating global warming. CCS is still in its technological infancy and needs much more research to advance to viability. Texas should focus on proven renewable energy sources, like solar and wind, rather than search for ways to continue to burn coal. Fossil fuels should be phased out entirely over time because their net impact on global security in the environment will always be negative.

Implementing CSHB 1796 could be prohibitively costly. The fiscal note estimates an annual impact to general revenue of more than $1.3 million, which accounts only for two FTEs and the study commissioned in the bill. Infrastructure, including pipelines and a repository, likely would cost the state many millions more. Researchers project that CCS will need $15-$30 billion dollars more in investments for it to begin to affect climate change.