

## **BILL ANALYSIS**

C.S.H.B. 3699  
By: Isett  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

When an oil field reaches the tertiary stage of its productive life, more oil can be recovered by pumping carbon dioxide (CO<sub>2</sub>) into injection wells in a process referred to as enhanced oil recovery (EOR). Currently, producers in West Texas primarily use CO<sub>2</sub> that is mined from natural deposits in Colorado and imported by pipeline. Very little oil is produced from EOR in East Texas because there is no infrastructure to deliver the CO<sub>2</sub>. If the infrastructure were available, an estimated 2 to 4 billion barrels of oil could be recoverable from East Texas fields. Developing these fields contributes significantly to economic development by creating jobs and additional tax revenue in Texas.

The construction and installation of CO<sub>2</sub> pipelines is a capital intensive effort, the costs of which have recently increased for a variety of reasons, including rising steel prices, construction costs, and energy prices. Although the length, route obstacles, and type of terrain all added to the estimated cost of the Green pipeline, such endeavors, even under the best of circumstances, are extremely costly and take years of careful planning.

C.S.H.B. 3699 provides tax abatements for pipelines used to transport anthropogenic CO<sub>2</sub>, thereby improving the economics of potential EOR projects that require access to CO<sub>2</sub> sources.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTIONS 1 and 2 of this bill.

### **ANALYSIS**

C.S.H.B. 3699 amends provisions of the Tax Code that require the Texas Commission on Environmental Quality to adopt rules establishing a nonexclusive list of facilities, devices, or methods for the control of air, water, or land pollution for purposes of an exemption from property taxes for pollution control property and an adjustment to the rollback tax rate to compensate for pollution control requirements met by a political subdivision of Texas to specify that such a list includes property that is used, constructed, acquired, or installed wholly or partly to transport, as well as capture, carbon dioxide from an anthropogenic source that is geologically sequestered in Texas if a state or federal governmental entity, rather than the United States Environmental Protection Agency, adopts a final rule or regulation regulating carbon dioxide as a pollutant. The bill prohibits a person from receiving the exemption unless the property was placed into service after September 1, 2009.

### **EFFECTIVE DATE**

January 1, 2010.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 3699 removes language in the original specifying that the list established by the Texas Commission on Environmental Quality includes certain property to capture or transport carbon dioxide from an anthropogenic source that is geologically sequestered in Texas if a local entity adopts a final rule or regulation regulating carbon dioxide as a pollutant. The substitute adds a provision not in the original prohibiting a person from receiving the exemption unless the property was placed into service after September 1, 2009.