

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 20, 2009

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1796 by Chisum (Relating to the offshore geologic storage of carbon dioxide.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1796, As Engrossed: a negative impact of (\$2,614,770) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$1,316,385)
2011	(\$1,298,385)
2012	(\$1,298,385)
2013	(\$1,298,385)
2014	(\$1,298,385)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$1,316,385)
2011	(\$1,298,385)
2012	(\$1,298,385)
2013	(\$1,298,385)
2014	(\$1,298,385)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	2.5
2011	2.5
2012	2.5
2013	2.5
2014	2.5

Fiscal Analysis

The bill would require the Land Commissioner to contract with the University of Texas Bureau of Economic Geology (BEG) at the University of Texas at Austin to conduct a study of state-owned offshore submerged land to identify potential locations for a carbon dioxide repository. The Texas Commission on Environmental Quality (TCEQ) would develop standards and rules for the offshore sequestration of carbon dioxide. Any standards adopted by the TCEQ would need to comply with any requirements issued by the U. S. Environmental Protection Agency. The School Land Board (SLB) would make the final determination of suitable locations for carbon dioxide storage. The SLB also would issue a request for proposals for the construction of infrastructure for transportation to and storage in the offshore repository. The bill also would give the SLB authority to establish a storage fee by rule.

The TCEQ would be required to adopt standards for monitoring, measuring and verifying the permanent storage status of the repository, and the BEG would perform those functions and serve as a scientific advisor. The BEG would perform the measurement, monitoring, and verification of the permanent status of carbon dioxide in the carbon dioxide repository. The BEG would be required to provide the SLB data relating to the measurement, monitoring, and verification of the permanent storage status of the carbon dioxide in the carbon dioxide repository, as determined by the SLB.

The SLB would acquire title to the carbon dioxide stored in the repository on behalf of the state and administer and control the stored carbon dioxide in the name of the state. Both the SLB and the TCEQ would be prohibited from establishing or regulating the rates charged for the transportation of carbon dioxide to the carbon dioxide repository. Finally, the SLB would issue an annual report on the repository.

Methodology

The General Land Office (GLO) would need 2.5 FTEs to develop the offshore sequestration program, oversee the study conducted by the BEG, evaluate recommendations of the pilot study, and maintain a carbon dioxide storage database. In addition, the GLO would need to develop and manage construction contracts for off-shore platforms, injection wells, and connecting pipelines to generators of carbon dioxide throughout the state. A data system would be needed for a fee collection program and for tracking and monitoring the carbon dioxide accepted for storage. This estimate assumes that carbon dioxide would not be designated as a pollutant by the U.S. EPA. Total costs to the GLO are estimated at \$216,385 in fiscal year 2010 and \$198,385 in 2011. This estimate assumes these costs would be paid out of the General Revenue Fund.

Although the bill authorizes a fee, this estimate does not assume that the study would be complete, the repository constructed, nor a significant amount of carbon stored in the first five years after enactment of the bill. Thus, no significant revenue is included in this estimate.

The BEG estimates the costs to perform the pilot study, conduct on-going measurement, monitoring and verification of the permanent storage status of the carbon dioxide in the repository, and serve as a scientific advisor to the SLB at \$5,500,000 between fiscal years 2010 and 2014. For purposes of this analysis, this cost is estimated to be \$1.1 million per year for the five year period, and assumed to be paid out of the General Revenue Fund.

This estimate assumes that costs to the TCEQ associated with rulemaking and the development of standards for monitoring and measurement would not be significant and could be absorbed using existing agency resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 305 General Land Office and Veterans' Land Board, 582 Commission on Environmental Quality, 720 The University of Texas System Administration, 455 Railroad Commission

LBB Staff: JOB, SD, SZ, ZS, TL