

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 25, 2009

TO: Honorable Byron Cook, Chair, House Committee on Environmental Regulation

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

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

Estimated Two-year Net Impact to General Revenue Related Funds for HB1796, As Introduced: a negative impact of (\$2,668,946) 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	(\$1,342,598)
2011	(\$1,326,348)
2012	(\$1,326,348)
2013	(\$1,326,348)
2014	(\$1,326,348)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$1,342,598)
2011	(\$1,326,348)
2012	(\$1,326,348)
2013	(\$1,326,348)
2014	(\$1,326,348)

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 Texas Commission on Environmental Quality (TCEQ) to work with the

University of Texas Bureau of Economic Geology (BEG) at the University of Texas at Austin to do a pilot study to identify locations and develop standards and rules for the offshore sequestration of carbon dioxide. Any standards adopted by the agency would need to comply with any requirements issued by the U. S. Environmental Protection Agency, and the TCEQ would be directed to use the study results to select a location for an offshore repository. The TCEQ 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 TCEQ the authority to establish a storage fee through agency rules. Additionally, the TCEQ 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. 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. Finally, the TCEQ would issue an annual report on the repository.

Methodology

The TCEQ would need 2.5 FTEs to conduct rulemaking, 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 agency 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 TCEQ are estimated at \$248,592 in fiscal year 2010 and \$226,348 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, and 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 TCEQ 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.

Local Government Impact

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

Source Agencies: 455 Railroad Commission, 582 Commission on Environmental Quality, 720 The University of Texas System Administration

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