

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SECTION 1. Subchapter A, Chapter 490, Government Code, is amended by adding Section 490.004 to read as follows:

Sec. 490.004. ADVANCED CLEAN ENERGY PROJECTS. (a) Notwithstanding any other provision of this chapter, an advanced clean energy project as defined by Section 382.003(1-a), Health and Safety Code, shall qualify in the same manner and to the same extent as a clean energy project as defined by Section 490.301 for the tax incentives provided by this chapter.

(b) For purposes of this section, an advanced clean energy project that uses low-sulfur coal shall have an emission level of not more than 0.04 pounds of sulfur dioxide per million British thermal units as determined by a 30-day average.

SECTION 2. The heading to Subchapter G, Chapter 490, Government Code, is amended to read as follows:

SUBCHAPTER G. CLEAN COAL PROJECTS AND CLEAN ENERGY PROJECTS

SECTION 3. Section 490.301, Government Code, is amended to read as follows:

Sec. 490.301. DEFINITIONS [~~DEFINITION~~]. In this subchapter:

(1) "Clean [~~clean~~] coal project" has the meaning

SENATE VERSION

**No equivalent provision.**

SECTION \_\_. Chapter 490, Government Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. CLEAN ENERGY PROJECTS  
Sec. 490.351.

DEFINITION. In this subchapter,

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

assigned by Section 5.001, Water Code.

(2) "Clean energy project" has the meaning assigned by Section 120.001, Natural Resources Code.

SECTION 4. The heading to Section 490.304, Government Code, is amended to read as follows:

Sec. 490.304. CONTRACTING AUTHORITY RELATED TO IMPLEMENTING CLEAN COAL PROJECT; FRANCHISE TAX CREDIT.

SECTION 5. Subchapter G, Chapter 490, Government Code, is amended by adding Section 490.305 to read as follows:

Sec. 490.305. FRANCHISE TAX CREDIT FOR CLEAN ENERGY PROJECT.

(a) The comptroller shall adopt rules for issuing to an entity implementing a clean energy project in this state a franchise tax credit.

(b) The comptroller shall issue a franchise tax credit to an entity operating a clean energy project after:

(1) the Railroad Commission of Texas has issued a certificate of compliance for the project to the entity as provided by Section 120.004, Natural Resources Code;

(2) the construction of the project has been completed;

(3) the carbon-fueled electric generating facility associated with the project is fully operational; and

SENATE VERSION

"clean energy project" has the meaning assigned by Section 120.001, Natural Resources Code..

No equivalent provision.

Sec. 490.352. FRANCHISE TAX CREDIT FOR CLEAN ENERGY PROJECT.

(a) The comptroller shall adopt rules for issuing to an entity implementing a clean energy project in this state a franchise tax credit.

(b) The comptroller shall make a decision whether to issue a franchise tax credit to an entity operating a clean energy project where:

(1) the Railroad Commission of Texas has issued a certificate of compliance for the project to the entity as provided by Section 120.004, Natural Resources Code;

(2) the construction of the project has been completed;

(3) the electric generating facility associated with the project is fully operational;

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(4) the Bureau of Economic Geology of The University of Texas at Austin verifies to the comptroller that the carbon-fueled electric generating facility associated with the project is sequestering at least 70 percent of the carbon dioxide resulting from the generation of electricity by the facility.

(b-1) The Texas Commission on Environmental Quality shall accept and enforce as a permit condition a voluntary carbon dioxide emission limit used to qualify a project for the franchise tax credit described in Subsection (b).

(c) The total amount of the franchise tax credit that may be issued to the entity designated in the certificate of compliance for a clean energy project is equal to the lesser of:

(1) 10 percent of the total capital cost of the project, including the cost of designing, engineering, permitting, constructing, and commissioning the project, the cost of procuring land, water, and equipment for the project, and all fees, taxes, and commissions paid and other payments made in connection with the project but excluding the cost of financing the capital cost of the project; or

(2) \$100 million.

SENATE VERSION

(4) the Bureau of Economic Geology of The University of Texas at Austin verifies to the comptroller that the electric generating facility associated with the project is sequestering at least 70 percent of the carbon dioxide resulting from or associated with the generation of electricity by the facility.

(5) The project's owners or operators have signed an interconnection agreement with the Electric Reliability Commission of Texas; and

(6) The comptroller has determined that the project has the likelihood to generate taxable income within a reasonable time sufficient to substantially repay any franchise tax credits issued under this act

(c) The total amount of the franchise tax credit that may be issued to the entity designated in the certificate of compliance for a clean energy project is equal to the lesser of:

(1) 10 percent of the total capital cost of the project, including the cost of designing, engineering, permitting, constructing, and commissioning the project, the cost of procuring land, water, and equipment for the project, and all fees, taxes, and commissions paid and other payments made in connection with the project but excluding the cost of financing the capital cost of the project; or

(2) \$100 million.

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

(d) The franchise tax credit is a credit against any franchise taxes that may be assessed against the income generated by a clean energy project from the generation and sale of power and the sale of any products that are produced directly or indirectly by the carbon-fueled process.

SENATE VERSION

(d) The franchise tax credit is a credit against any franchise taxes that may be assessed against the income generated by a clean energy project from the generation and sale of power and the sale of any products that are produced directly or indirectly by the electric generation facility. The entity designated in the certificate of compliance for the project may assign the franchise tax credit to any other entity that has or acquires an interest in the income generated by the project. Prior to the assignment of franchise tax credits under this section, the assigning entity must inform the comptroller in writing by a method to be determined by the comptroller the names and identifying information of all persons and entities receiving the credits.

(e) The comptroller may not issue a franchise tax credit under this section before September 1, 2013. This subsection expires September 2, 2013.

Sec. 490.353. USE OF MONEY FOR CLEAN ENERGY PROJECTS. (a) Notwithstanding Section 490.102, the governor may allocate under this section proceeds deposited in the fund to eligible applicants if the governor has the express written agreement of the lieutenant governor and the speaker of the house of representatives to do so.

(b) An allocation under this section may take the form of an investment in the form of equity, a convertible note, a debt instrument, a grant, a matching grant, or any combination of those methods.

(c) Before making an allocation under this subchapter,

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

the governor shall enter into a written agreement with the entity to which the allocation is to be awarded.

(d) An applicant for an allocation under this section must provide any information considered necessary by the governor to determine whether the applicant qualifies for an allocation.

(e) In addition to any other provisions of this chapter, a clean energy project constitutes an opportunity for emerging technology suitable for consideration for an allocation under this section. Sections 490.102 and 490.103 and Subchapters D, E, and F do not apply to an allocation made pursuant to this section.

No equivalent provision.

SECTION \_\_. Section 382.003(1-a), Health and Safety Code, is amended to read as follows:

(1-a) "Advanced clean energy project" means a project for which an application for a permit or for an authorization to use a standard permit under this chapter is received by the commission on or after January 1, 2008, and before January 1, 2020, and that:

(A) involves the use of coal, biomass, petroleum coke, solid waste, or fuel cells using hydrogen derived from such fuels, in the generation of electricity, or the creation of liquid fuels outside of the existing fuel production infrastructure while co-generating electricity, whether the project is implemented in connection with the construction of a new facility or in connection with the modification of an existing facility and whether the

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

project involves the entire emissions stream from the facility or only a portion of the emissions stream from the facility;

(B) with regard to the portion of the emissions stream from the facility that is associated with the project, is capable of achieving:

(i) on an annual basis a 99 percent or greater reduction of sulfur dioxide emissions or, if the project is designed for the use of feedstock substantially all of which is subbituminous coal, an emission rate of 0.04 pounds or less of sulfur dioxide per million British thermal units as determined by a 30-day average;

(ii) on an annual basis [;] a 95 percent or greater reduction of mercury emissions;

(iii) [~~and~~] an annual average emission rate for nitrogen oxides of:

(a) 0.05 pounds or less per million British thermal units;

or

(b) if the project uses gasification technology, 0.034 pounds or less per million British thermal units; and

(iv) an annual average emission rate for filterable particulate matter of 0.015 pounds or less per million British thermal units; and

(C) captures not less than 50 percent of the [~~renders~~] carbon dioxide in the portion of the emissions stream from the facility that is associated with the project and sequesters that captured carbon dioxide by geologic storage or other means [~~capable of capture, sequestration, or abatement if any carbon dioxide is produced by the~~

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

project].

SECTION 6. Subtitle D, Title 3, Natural Resources Code, is amended by adding Chapter 120 to read as follows:

CHAPTER 120. VERIFICATION, MONITORING, AND CERTIFICATION OF CLEAN ENERGY PROJECT

Sec. 120.001. DEFINITIONS. In this chapter:

(1) "Bureau" means the Bureau of Economic Geology of The University of Texas at Austin.

(2) "Clean energy project" means a project to construct a carbon-fueled electric generating facility that will:

(A) have a capacity of at least 200 megawatts;

(B) use integrated gasification combined cycle or other pre-combustion technology;

(C) capture at least 70 percent of the carbon dioxide resulting from the generation of electricity by the facility;

(D) be capable of permanently sequestering in a geological formation the carbon dioxide captured;

(E) be capable of supplying the carbon dioxide captured for purposes of an enhanced oil recovery project; and

(F) have emission limits in its permit that are below 0.034 lbs. per million Btu nitrogen oxides, 0.016 lbs. per

SECTION 5. Subtitle D, Title 3, Natural Resources Code, is amended by adding Chapter 120 to read as follows:

CHAPTER 120. VERIFICATION, MONITORING, AND CERTIFICATION OF CLEAN ENERGY PROJECT

Sec. 120.001. DEFINITIONS. In this chapter:

(1) "Bureau" means the Bureau of Economic Geology of The University of Texas at Austin.

(2) "Clean energy project" means a project to construct a coal-fueled or petroleum coke-fueled electric generating facility, including a facility in which the fuel is gasified before combustion, that will:

(A) have a capacity of at least 200 megawatts;

(B) meet the emissions profile for an advanced clean energy project under Section 382.003(1-a)(B), Health and Safety Code;

(C) capture at least 70 percent of the carbon dioxide resulting from or associated with the generation of electricity by the facility;

(D) be capable of permanently sequestering in a geological formation the carbon dioxide captured; and

(E) be capable of supplying the carbon dioxide captured for purposes of an enhanced oil recovery project.

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

million Btu sulfur dioxide, 0.022 lbs. per million Btu particulate matter, and 0.0015 lbs. per million Btu volatile organic compounds.

(3) "Commission" means the Railroad Commission of Texas.

(4) "Sequester" means the injection of carbon dioxide into a geological formation in a manner and under conditions that create a reasonable expectation that at least 99 percent of the carbon dioxide injected will remain sequestered from the atmosphere for at least 1,000 years.

Sec. 120.002. CERTIFICATION OF CLEAN ENERGY PROJECT. (a) The commission is the authority responsible for certifying whether a project has met the requirements for a clean energy project.

(b) An entity may apply to the commission for a certification that a project operated by the entity meets the requirements for a clean energy project. The application must be accompanied by:

(1) a certificate from a qualified independent engineer that the project is operational and meets the standards provided by Sections 120.001(2)(A), (B), and (C); and

(2) a fee payable to the commission.

(c) The amount of the fee prescribed by Subsection (b)(2) is \$50,000 unless the commission by rule determines that a fee in a greater amount is necessary to cover the commission's costs of processing an application.

Sec. 120.003. MONITORING OF SEQUESTERED

SENATE VERSION

(3) "Commission" means the Railroad Commission of Texas.

(4) "Sequester" means to inject carbon dioxide into a geological formation in a manner and under conditions that create a reasonable expectation that at least 99 percent of the carbon dioxide injected will remain sequestered from the atmosphere for at least 1,000 years.

\Sec. 120.002. CERTIFICATION OF CLEAN ENERGY PROJECT. (a) The commission is the authority responsible for certifying whether a project has met the requirements for a clean energy project.

(b) An entity may apply to the commission for a certification that a project operated by the entity meets the requirements for a clean energy project. The application must be accompanied by:

(1) a certificate from a qualified independent engineer that the project is operational and meets the standards provided by Sections 120.001(2)(A), (B), and (C); and

(2) a fee payable to the commission.

(c) The amount of the fee prescribed by Subsection (b)(2) is \$50,000 unless the commission by rule determines that a fee in a greater amount is necessary to cover the commission's costs of processing an application.

Sec. 120.003. MONITORING OF SEQUESTERED

CONFERENCE



**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

CARBON DIOXIDE. (a) An entity operating a facility seeking a certification from the Railroad Commission of Texas pursuant to Section 120.002 above shall be responsible for conducting a monitoring, measuring, and verification process that demonstrates that the project has complied with the requirements of Section 490.305(b)(4), Government Code.

The entity shall contract for the Bureau of Economic Geology of The University of Texas at Austin to: design initial protocols and standards for such a process;

review the conduct of the process in order to make any necessary changes in the design of protocols and standards;

evaluate the results of the process;

provide an evaluation of such results to the Railroad Commission of Texas; and

determine whether to transmit to the comptroller the verification described in Section 490.305(b)(4), Government Code.

(b) Unless otherwise agreed by the applying entity and the Bureau of Economic Geology of The University of Texas at Austin,

the contract required by Subsection (a) of this section shall provide that the entity shall compensate the Bureau of Economic Geology at The University of Texas at Austin by paying eight annual fees, the first of which

SENATE VERSION

CARBON DIOXIDE. (a) An entity that applies to the commission under Section 120.002 for a certification that a project operated by the entity meets the requirements for a clean energy project is responsible for conducting a monitoring, measuring, and verification process that demonstrates that the project complies with the requirements of Section 490.352(b)(4), Government Code.

(b) The entity shall contract with the bureau for the bureau to:

(1) design initial protocols and standards for the process described by Subsection (a);

(2) review the conduct of the process described by Subsection (a) in order to make any necessary changes in the design of the protocols and standards;

(3) evaluate the results of the process described by Subsection (a);

(4) provide an evaluation of the results of the process described by Subsection (a) to the commission; and

(5) determine whether to transmit to the comptroller the verification described by Section 490.352(b)(4), Government Code.

(c) Unless otherwise agreed by the entity and the bureau,

a contract required by Subsection (b) must require the entity to compensate the bureau by paying an annual fee in accordance with the following schedule:

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

shall be due at least 24 months prior to the date that the entity first supplies carbon dioxide to an enhanced oil recovery project, according to the following schedule: a fee of  
\$700,000 in year one;  
a fee of \$1,300,000 in year two;  
a fee of \$1,800,000 in year three;  
a fee of \$1,500,000 in year four;  
a fee of \$1,200,000 in year five;  
a fee of \$900,000 in year six;  
a fee of \$500,000 in year seven;  
and a fee of \$200,000 in year eight.

Sec. 120.004. ISSUANCE OF CERTIFICATE OF COMPLIANCE. (a) On verification that a project meets the requirements for certification as a clean energy project, the commission shall issue a certificate of compliance for the project to the entity operating the project and shall provide a copy of the certificate to the comptroller.

(b) The commission may not issue a certificate of compliance for more than three clean energy projects.

(c) This subsection applies only to a certificate of compliance for a clean energy project that is issued after the initial certificate of compliance for a project.

Notwithstanding Subsection (a):

SENATE VERSION

<u>Year</u>	<u>Amount</u>
<u>One</u>	<u>\$700,000</u>
<u>Two</u>	<u>\$1,300,000</u>
<u>Three</u>	<u>\$1,800,000</u>
<u>Four</u>	<u>\$1,500,000</u>
<u>Five</u>	<u>\$1,200,000</u>
<u>Six</u>	<u>\$900,000</u>
<u>Seven</u>	<u>\$500,000</u>
<u>Eight</u>	<u>\$200,000</u>

(d) The first payment under Subsection (c) is due not later than 24 months before the date the entity first supplies carbon dioxide captured by the project to an enhanced oil recovery project.

Sec. 120.004. ISSUANCE OF CERTIFICATE OF COMPLIANCE. (a) On verification that a project meets the requirements for certification as a clean energy project, the commission shall issue a certificate of compliance for the project to the entity operating the project and shall provide a copy of the certificate to the comptroller.

(b) The commission may not issue a certificate of compliance for more than three clean energy projects.

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(1) if at the time the commission issues the certificate at least one commercially designed electric generating facility operating in the United States and using integrated gasification combined cycle technology or another precombustion technology is capturing at least 75 percent of the carbon dioxide resulting from the generation of electricity by the facility, the commission may not issue the certificate unless the clean energy project will capture at least 80 percent of the carbon dioxide resulting from the generation of electricity by the carbon-fueled electric generating facility associated with the project; and

(2) if at the time the commission issues the certificate at least one commercially designed electric generating facility operating in the United States and using integrated gasification combined cycle technology or another precombustion technology is capturing at least 85 percent of the carbon dioxide resulting from the generation of electricity by the facility, the commission may not issue the certificate unless the clean energy project will capture at least 90 percent of the carbon dioxide resulting from the generation of electricity by the carbon-fueled electric generating facility associated with the project.

SECTION 7. Section 11.31, Tax Code, is amended by amending Subsection (k) and adding Subsection (n) to read as follows:

No equivalent provision.

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(k) The Texas Commission on Environmental Quality shall adopt rules establishing a nonexclusive list of facilities, devices, or methods for the control of air, water, or land pollution, which must include:

- (1) coal cleaning or refining facilities;
- (2) atmospheric or pressurized and bubbling or circulating fluidized bed combustion systems and gasification fluidized bed combustion combined cycle systems;
- (3) ultra-supercritical pulverized coal boilers;
- (4) flue gas recirculation components;
- (5) syngas purification systems and gas-cleanup units;
- (6) enhanced heat recovery systems;
- (7) exhaust heat recovery boilers;
- (8) heat recovery steam generators;
- (9) superheaters and evaporators;
- (10) enhanced steam turbine systems;
- (11) methanation;
- (12) coal combustion or gasification byproduct and coproduct handling, storage, or treatment facilities;
- (13) biomass cofiring storage, distribution, and firing systems;
- (14) coal cleaning or drying processes, such as coal drying/moisture reduction, air jigging, precombustion decarbonization, and coal flow balancing technology;
- (15) oxy-fuel combustion technology, amine or chilled ammonia scrubbing, fuel or emission conversion through the use of catalysts, enhanced scrubbing technology, modified combustion technology such as chemical

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

looping, and cryogenic technology;

(16) if a state or federal governmental entity [~~the United States Environmental Protection Agency~~] adopts a final rule or regulation regulating carbon dioxide as a pollutant, property that is used, constructed, acquired, or installed wholly or partly to capture or transport carbon dioxide from an anthropogenic source in this state that is geologically sequestered in this state;

(17) fuel cells generating electricity using hydrogen derived from coal, biomass, petroleum coke, or solid waste; and

(18) any other equipment designed to prevent, capture, abate, or monitor nitrogen oxides, volatile organic compounds, particulate matter, mercury, carbon monoxide, or any criteria pollutant.

(n) Notwithstanding the other provisions of this section, a person may not receive an exemption under this section for property described by Subsection (k)(16) unless the property was placed into service after September 1, 2009.

SECTION 8. Section 26.045, Tax Code, is amended by amending Subsection (f) and adding Subsection (j) to read as follows:

(f) The Texas Commission on Environmental Quality shall adopt rules establishing a nonexclusive list of facilities, devices, or methods for the control of air, water, or land pollution, which must include:

**No equivalent provision.**

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

- (1) coal cleaning or refining facilities;
- (2) atmospheric or pressurized and bubbling or circulating fluidized bed combustion systems and gasification fluidized bed combustion combined cycle systems;
- (3) ultra-supercritical pulverized coal boilers;
- (4) flue gas recirculation components;
- (5) syngas purification systems and gas-cleanup units;
- (6) enhanced heat recovery systems;
- (7) exhaust heat recovery boilers;
- (8) heat recovery steam generators;
- (9) superheaters and evaporators;
- (10) enhanced steam turbine systems;
- (11) methanation;
- (12) coal combustion or gasification byproduct and coproduct handling, storage, or treatment facilities;
- (13) biomass cofiring storage, distribution, and firing systems;
- (14) coal cleaning or drying processes such as coal drying/moisture reduction, air jigging, precombustion decarbonization, and coal flow balancing technology;
- (15) oxy-fuel combustion technology, amine or chilled ammonia scrubbing, fuel or emission conversion through the use of catalysts, enhanced scrubbing technology, modified combustion technology such as chemical looping, and cryogenic technology;
- (16) if a state or federal governmental entity [~~the United States Environmental Protection Agency~~] adopts a final rule or regulation regulating carbon dioxide as a

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

pollutant, property that is used, constructed, acquired, or installed wholly or partly to capture or transport carbon dioxide from an anthropogenic source in this state that is geologically sequestered in this state;

(17) fuel cells generating electricity using hydrogen derived from coal, biomass, petroleum coke, or solid waste; and

(18) any other equipment designed to prevent, capture, abate, or monitor nitrogen oxides, volatile organic compounds, particulate matter, mercury, carbon monoxide, or any criteria pollutant.

(j) Notwithstanding the other provisions of this section, a person may not receive an exemption under this section for property described by Subsection (f)(16) unless the property was placed into service after September 1, 2009.

**No equivalent provision.**

SENATE VERSION

SECTION 6. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.334 to read as follows:

Sec. 151.334. COMPONENTS OF TANGIBLE PERSONAL PROPERTY USED IN CONNECTION WITH SEQUESTRATION OF CARBON DIOXIDE.

Components of tangible personal property used in connection with an advanced clean energy project, as defined by Section 382.003, Health and Safety Code, or a clean energy project, as defined by Section 120.001, Natural Resources Code, are exempted from the taxes imposed by this chapter if:

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(1) the components are installed to capture carbon dioxide from an anthropogenic emission source, transport or inject carbon dioxide from such a source, or prepare carbon dioxide from such a source for transportation or injection; and  
(2) the carbon dioxide is sequestered in this state:  
(A) as part of an enhanced oil recovery project that qualifies for a tax rate reduction under Section 202.0545, as provided by Subsection (c) of that section; or  
(B) in a manner and under conditions that create a reasonable expectation that at least 99 percent of the carbon dioxide will remain sequestered from the atmosphere for at least 1,000 years.

SECTION 9. Section 202.0545, Tax Code, is amended by amending Subsections (a), (c), and (f) and adding Subsections (i), (j), and (j-1) to read as follows:

(a) Subject to the limitations provided by this section, ~~[until the later of the seventh anniversary of the date that the comptroller first approves an application for a tax rate reduction under this section or the effective date of a final rule adopted by the United States Environmental Protection Agency regulating carbon dioxide as a pollutant,]~~ the producer of oil recovered through an enhanced oil recovery project that qualifies under Section 202.054 for the recovered oil tax rate provided by Section 202.052(b) is entitled to an additional 50 percent reduction in that tax rate if in the recovery of the

SECTION \_\_. Subsections (a) and (d), Section 202.0545, Tax Code, are amended to read as follows:

(a) Subject to the limitations provided by this section, until ~~[the later of]~~ the 30th ~~[seventh]~~ anniversary of the date that the comptroller first approves an application for a tax rate reduction under this section ~~[or the effective date of a final rule adopted by the United States Environmental Protection Agency regulating carbon dioxide as a pollutant,]~~ the producer of oil recovered through an enhanced oil recovery project that qualifies under Section 202.054 for the recovered oil tax rate provided by Section 202.052(b) is entitled to an additional 50 percent reduction in that tax rate if in the



**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

oil the enhanced oil recovery project uses carbon dioxide that:

- (1) is captured from an anthropogenic source in this state;
- (2) would otherwise be released into the atmosphere as industrial emissions;
- (3) is measurable at the source of capture; and
- (4) is sequestered in one or more geological formations in this state following the enhanced oil recovery process.

(c) To qualify for the tax rate reduction under this section, the operator must:

(1) apply to the comptroller for the reduction and include with the application any information and documentation that the comptroller may require; ~~and~~

(2) apply for a certification from:

(A) the Railroad Commission of Texas, if carbon dioxide used in the project is to be sequestered in an oil or natural gas reservoir;

(B) the Texas Commission on Environmental Quality, if carbon dioxide used in the project is to be sequestered in a geological formation other than an oil or natural gas reservoir; or

(C) both the Railroad Commission of Texas and the Texas Commission on Environmental Quality if both Paragraphs (A) and (B) apply; and

(3) have begun using carbon dioxide that satisfies the criteria of Subsection (a) in an enhanced oil recovery project not later than August 31, 2016.

(f) The comptroller shall approve the application if the

SENATE VERSION

recovery of the oil the enhanced oil recovery project uses carbon dioxide that:

- (1) is captured from an anthropogenic source in this state;
- (2) would otherwise be released into the atmosphere as industrial emissions;
- (3) is measurable at the source of capture; and
- (4) is sequestered in one or more geological formations in this state following the enhanced oil recovery process.

(d) An agency to which an operator applies for a certification under Subsection (c)(2) may issue the certification only if the agency finds that, based on substantial evidence, there is a reasonable expectation that:

(1) ~~[the operator's planned sequestration program will ensure that]~~ at least 99 percent of the carbon dioxide sequestered as required by Subsection (a)(4) will remain sequestered for at least 1,000 years; and

(2) the operator's planned sequestration program will include appropriately designed monitoring and verification measures that will be employed for a period sufficient to demonstrate whether the sequestration program is performing as expected.

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

operator submits the certification or certifications required by Subsection (c)(2) and if the comptroller determines that the oil is otherwise eligible under this section and the operator meets the requirement specified by Subsection (c)(3).

(i) This section expires August 31, 2039.

(j) Notwithstanding any other provision of this section, an advanced clean energy project as defined by Section 382.003(1-a), Health and Safety Code, shall qualify in the same manner and to the same extent as a clean energy project as defined by Section 490.301, Government Code, for the tax incentives provided by this section.

(j-1) For purposes of Subsection (j) of this section, an advanced clean energy project that uses low-sulfur coal shall have an emission level of not more than 0.04 pounds of sulfur dioxide per million British thermal units as determined by a 30-day average.

SECTION 10. Sections 11.31(k) and 26.045(f), Tax Code, as amended by this Act, apply only to ad valorem taxes imposed for a tax year beginning on or after January 1, 2010.

SECTION 11. The comptroller shall adopt rules under Section 490.305, Government Code, as added by this Act, not later than December 31, 2010.

SENATE VERSION

No equivalent provision.

SECTION 8. The comptroller shall adopt rules under Section 490.352, Government Code, as added by this Act, not later than December 31, 2010.

CONFERENCE

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

No equivalent provision.

SECTION \_\_. Subdivision (4), Section 313.021, Tax Code, is amended to read as follows:

(4) "Qualifying time period" means:

(A) the first two tax years that begin on or after the date a person's application for a limitation on appraised value under this subchapter is approved, except as provided by Paragraph (B) or (C); ~~[or]~~

(B) in connection with a nuclear electric power generation facility, the first seven tax years that begin on or after the third anniversary of the date the school district approves the property owner's application for a limitation on appraised value under this subchapter, unless a shorter time period is agreed to by the governing body of the school district and the property owner; or

(C) in connection with an advanced clean energy project, as defined by Section 382.003, Health and Safety Code, the first five tax years that begin on or after the third anniversary of the date the school district approves the property owner's application for a limitation on appraised value under this subchapter, unless a shorter time period is agreed to by the governing body of the school district and the property owner.

No equivalent provision.

SECTION \_\_. Subchapter M, Chapter 5, Water Code, is amended by adding Section 5.559 to read as follows:

Sec. 5.559. ADVANCED CLEAN ENERGY PROJECT

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

PERMITTING PROCEDURE. (a) In this section, "advanced clean energy project" has the meaning assigned by Section 382.003, Health and Safety Code.

(b) As authorized by federal law, not later than nine months after the executive director declares an application for a permit under Chapter 26 for an advanced clean energy project to be administratively complete, the executive director shall complete the technical review of the application.

(c) The commission shall issue a final order issuing or denying the permit not later than nine months after the executive director declares the application technically complete. The commission may extend the deadline set out in this subsection up to three months if it determines that the number of complex pending applications for permits under this chapter will prevent the commission from meeting the deadline imposed by this subsection without creating an extraordinary burden on the resources of the commission.

(d) The permit process authorized by this section is subject to the requirements relating to a contested case hearing under this chapter or Subchapters C-G, Chapter 2001, Government Code, as applicable.

(e) The commission shall adopt rules to implement this section.

SECTION \_\_. (a) Not later than September 1, 2010, September 1, 2012, and September 1, 2016, the Texas

No equivalent provision.

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

Commission on Environmental Quality shall make recommendations to the legislature on whether the emissions profile set out in Sections 120.001(2)(B) and (C), Natural Resources Code, as added by this Act, and Sections 382.003(1-a)(B) and (C), Health and Safety Code, as amended by this Act, should be adjusted to increase or decrease elements of the emissions profile. Before making its recommendations, the commission shall determine whether any commercially demonstrated electric generating facility operating in the United States that meets the criteria and emissions profile specified by Section 120.001(2), Natural Resources Code, as added by this Act, is capturing and sequestering a greater percentage of the carbon dioxide in the emissions stream from the facility than would be required to meet the emissions profile set out in that subdivision and whether any commercially demonstrated electric generating facility operating in the United States that meets the criteria and emissions profile specified by Sections 382.003(1-a)(A), (B), and (C), Health and Safety Code, as amended by this Act, is capturing and sequestering a greater percentage of the carbon dioxide in the emissions stream from the facility than would be required to meet the emissions profile set out in those paragraphs. If at least one such facility exists, the commission shall recommend raising the minimum percentage of carbon dioxide in the emissions stream from a facility that is required to be captured and sequestered for the facility to qualify as a clean energy project or advanced clean

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

energy project to the highest percentage of carbon dioxide that is being captured and sequestered by such a facility.

(b) Factors that must be considered in the assessment of the emissions profile include:

(1) the technical and economic feasibility of meeting all of the elements of the emissions profile set out in Sections 120.001(2)(B) and (C), Natural Resources Code, as added by this Act, or Sections 382.003(1-a)(A), (B), and (C), Health and Safety Code, as amended by this Act, in a commercially viable project, as documented by the United States Department of Energy;

(2) the technical and economic feasibility of projects to meet all of the elements of the emissions profile and still use a diverse range of fuels, including lignite; and

(3) the adequacy of the incentives provided by this Act, or similar legislation that becomes law, to continue to attract investment in and federal funding for clean energy projects and advanced clean energy projects in this state.

(c) Any adjustments to the emissions profile implemented by the legislature in response to a report required by this section do not apply to an application considered administratively complete on or before the date the adjustment takes effect.

SECTION \_\_. Not later than January 1, 2010, the Texas Commission on Environmental Quality shall adopt rules as necessary to implement Section 382.003, Health and

No equivalent provision.

**House Bill 469**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

Safety Code, as amended by this Act, and Section 5.559, Water Code, as added by this Act.

No equivalent provision.

SECTION \_\_. The Railroad Commission of Texas may adopt rules as necessary to implement Section 202.0545, Tax Code, as amended by this Act.

No equivalent provision.

SECTION \_\_. The comptroller of public accounts may adopt rules as necessary to implement Section 202.0545, Tax Code, as amended by this Act.

No equivalent provision.

SECTION 9. Section 151.334, Tax Code, as added by this Act, does not affect taxes imposed before the effective date of this Act, and the law in effect before the effective date of this Act is continued in effect for purposes of the liability for and collection of those taxes.

SECTION 12. (a) Except as provided by Subsection (b) of this section, this Act takes effect September 1, 2009.

(b) Sections 11.31(k) and 26.045(f), Tax Code, as amended by this Act, take effect January 1, 2010.

SECTION 10. This Act takes effect September 1, 2009.