



WESTERN DAKOTA ENERGY ASSOCIATION

February 1, 2023

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Testimony of:

Geoff Simon, Lobbyist #144

in opposition to SB 2383 – Tax Exemption for CO2 Pipelines
Senate Finance and Taxation Committee

Chairman Kannianen and Committee members:

On behalf of the city, county and school district members of the Western Dakota Energy Association (WDEA), we wish to express our strong opposition to SB 2383, which would remove an existing tax exemption for CO2 pipelines that claim a federal 45Q tax credit, thereby eliminating a valuable economic incentive for construction of the pipelines.

While WDEA appreciates the angst of individuals who doubt that carbon dioxide poses a threat to public health as determined by the U.S. Environmental Protection Agency, it is an unfortunate reality that our fossil fuel industry must confront. There will be increasing federal regulatory pressure on all forms of energy production that emit carbon dioxide. This prospect poses a huge threat to not just the ongoing economic viability of ethanol plants and our coal-based generation assets, the forced retirement of baseload coal-fired electric generation presents a huge threat to the reliability of the electric grid in North Dakota and throughout the region.

Environmental extremist groups that would love to see the demise of the coal industry undoubtedly love this legislation. However, their activism which has convinced policy makers that carbon dioxide is a menace, has actually performed a huge favor for North Dakota and our fossil fuel industry. The operators of the state's coal-fired generating plants are developing plans to capture and store carbon dioxide. Developers of Summit Carbon Solution's proposed CO2 pipeline plan to do the same by capturing and storing CO2 from the region's ethanol plants. But that's not the end of the story.

There are multiple pilot projects underway by several of North Dakota's major oil producers to develop technology to inject gas into oil-bearing shale formations to enhance oil production. While today those experiments are using produced natural gas, the miscibility of carbon dioxide is virtually identical. So while current plans contemplate the sequestration of CO2, a day will come in the not-too-distant future that carbon dioxide will be used to extract billions more barrels of oil from the Bakken, extending the life of North Dakota's oil patch by decades. The ability of CO2 pipelines to capture the tax exemption currently provided in statute provides an important incentive for the development of CO2-enhanced oil recovery. Suffice to say, that prospect provides our state the opportunity to reap many millions, if not billions, more dollars of tax revenue.

We urge the Senate Finance and Taxation Committee to give SB 2383 a Do NOT pass recommendation, and ensure a bright economic future for our fossil fuel industry.

Western Dakota Energy Association
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