SB 2328 Floor Speech

Mr. President, I am introducing SB 2328 which is a bill that provides incentives to reduce flaring with innovation and technology. Managing the natural gas that is produced along with our abundant oil resource is a continuing issue that we as a state must deal with. Keeping up with the infrastructure needed to capture is very expensive and almost always operates behind the development of the oil infrastructure. Remote capture of the natural gas for other uses provide beneficial value, reduces flaring and reduces emissions.

Two examples of the technology that would qualify for the incentive are:

1. The conversion of stranded natural gas to run generators to provide electricity for energy intensive data processing.
2. Another example extracts as much as 70% of the mass of hydrocarbons that would go to the flare stream. These are then liquified and transported to market. Additionally, the remaining gas stream is available for power generation or other beneficial uses.

There are four key parts of the bill I want to address.

1. This bill entitles the producer to a $6,000 per month credit per well against the tax liability under the Oil Extraction Tax section of Century Code. The credit may be claimed for up to twelve months for a total of $72,000/well. The credit only applies to those wells which are not connected to a gas pipeline or if they are connected, there is insufficient capacity in the line to handle all the gas being produced. In other words, it applies to natural gas that would be a candidate for flaring. It also would not apply to any gas that would be used in the normal production operations of a well, to stripper wells, or to wells that are technically and commercially capable of connecting to a gas pipeline. The target is the gas subject to flaring of which no extraction tax is collected anyway.
2. The bill includes an opt-in provision for wells located within the boundaries of the Fort Berthold Indian Reservation if the Three Affiliated Tribes request to be included by notification to the ND Tax Commissioner.
3. When it comes to natural gas, the most efficient business model would be to flare all of it because of the very low value of the gas. This, for so many

reasons such as environmental concerns and it being waste on a non-renewable resource make this an untenable option. That is why the energy industry has spent more than $20 billion on gas infrastructure in ND. And this is the right thing to do. We should be making every effort to minimize our carbon footprint as we continue to develop our energy resources.

4. Finally, while this does carry a tax credit of up to $72,000/well. The credit applies to gas where no tax revenue would be generated if the gas was flared. It also, could potentially result in a tax revenue increase if the operating company is able to bring a well online sooner as a result of being able to utilize gas that had no access to the pipeline system. When a well has one day of delayed production, the revenue from that day is not realized the next day, it is realized at the end of the well's life.

This bill contains a three-year sunset which will allow review by the next legislative body.

There is not enough information on utilization for the tax department to determine a fiscal note.

Your Energy and Natural Resources Committee voted 5-1 with a DO PASS recommendation and ask that you concur.