NORTH DAKOTA PETROLEUM COUNCIL
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**House Bill 1295**

**Testimony of Brady Pelton**

**House Finance and Taxation Committee**

**February 3, 2025**

Chairman Headland and members of the Committee, my name is Brady Pelton, vice president of the North Dakota Petroleum Council ("NDPC"). The North Dakota Petroleum Council represents more than 550 companies involved in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline development, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota, South Dakota, and the Rocky Mountain region. I appear before you today in opposition to House Bill 1295.

North Dakota has long been a national leader in energy innovation, fostering an investment-friendly environment that supports the development of critical infrastructure. Recognizing the long-term economic benefits of carbon capture, utilization, and storage ("CCUS"), previous legislatures enacted a ten-year property tax exemption, a sales and use tax exemption, and payment-in-lieu-of-taxes provisions for carbon dioxide pipelines. These policies have been essential in attracting investment and advancing enhanced oil recovery ("EOR") efforts in the state.

The bill before you proposes to remove these significant incentives to oil and gas developers interested in further exploring EOR technologies. The recently completed North Dakota $CO_2$-EOR Financial Analysis, prepared by the Office of the State Tax Commissioner, underscores the immense economic potential of enhanced oil recovery using carbon dioxide. The study confirms that enhanced oil recovery is a critical tool in maintaining and increasing North Dakota's oil production. It creates a circular economic model, capturing $CO_2$ from industrial sources and using it to extend the productive life of North Dakota's oil fields. The key economic benefits outlined in the study are billions of dollars in additional oil tax revenue, long-term stability of oil production in the state, and ensuring that North Dakota remains at the forefront of responsible energy production, while also creating synergies between the oil industry and other energy sectors, such as coal and biofuels.

The removal of these exemptions would make $CO_2$ pipeline projects less economically viable, leading to decreased private sector investment and limiting North Dakota's ability to remain competitive in the energy sector. At a time when investment in $CO_2$ EOR is accelerating and the economic benefits are becoming even more apparent, eliminating these exemptions would send a chilling message to investors that North Dakota is retreating from its long-standing pro-business, pro-energy stance.

The economic benefits of carbon dioxide EOR are too great to ignore. Removing an incentive that improves project feasibility will stifle investment, hinder oil recovery, and weaken North Dakota's energy future. Instead of repealing these provisions, the state should continue supporting policies that encourage investment in $CO_2$ infrastructure and maximize the economic benefits of carbon capture technology. Removing these incentives now would significantly hinder progress and weaken North Dakota's leadership in carbon management and oil recovery efforts.

North Dakota's previous legislatures recognized the long-term economic and energy security benefits of $CO_2$ pipeline development. This bill represents a step backward in North Dakota's commitment to fostering energy development and economic growth. Repealing the sales and use tax exemption and the ten-year property tax exemption for carbon dioxide pipelines would create unnecessary financial barriers, discourage investment, negatively impact the state's energy industry, and undermine North Dakota's leadership in CCUS and enhanced oil recovery.

For these reasons, NDPC strongly opposes this bill, and we urge a **Do Not Pass recommendation** for House Bill 1295.

Thank you, and I would be happy to answer any questions.