



100 West Broadway, Ste. 200 | P.O. Box 1395 | Bismarck, ND 58501-1395  
701.223.6380 | ndpc@ndoil.org | www.NDOil.org

## **House Bill 1573**

### **Testimony of Ron Ness**

#### **House Finance and Taxation Committee**

**February 3, 2025**

Chairman Headland and members of the Committee, my name is Ron Ness, 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 1573.

House Bill 1573 seeks to levy a tax on businesses that transport substances “for the purpose of injection and permanent underground storage [ . . . ] in pore space located in the state [ . . . ]” using pipelines longer than twenty-five (25) miles. For North Dakota’s oil and gas industry, this bill particularly involves the pipeline systems designed to transport produced water from oil and gas wells to saltwater disposal (“SWD”) wells for permanent storage. Production water, commonly referred to as produced water, is a naturally occurring byproduct of oil and gas extraction that emerges from underground reservoirs alongside hydrocarbons. It accounts for the largest waste stream in the industry, with volumes often exceeding oil and gas production as reservoirs age.

Currently, forty-nine (49) production water systems exceed the 25-mile threshold outlined in the bill, making them subject to this new tax on a per-ton basis. The consequences of this legislation would be far-reaching and detrimental to North Dakota’s energy sector. The proposed tax would significantly increase operating costs for oil and gas producers, as production water is an unavoidable byproduct of oil extraction. Additional taxation on its transportation creates an unnecessary financial burden on an already capital-intensive industry.

Imposing a new tax on production water transportation also sends a negative signal to investors, discouraging further development in North Dakota's oil industry. Companies considering expansion or new drilling projects may seek more business-friendly environments. North Dakota has built its reputation as a leader in energy production through policies that encourage responsible development. House Bill 1573 undermines this progress by adding regulatory hurdles and unnecessary taxation, making the state less competitive compared to other oil-producing regions.

The bill disregards the essential role of production water management in oil extraction. Production water disposal and injection are strictly regulated and conducted using environmentally sound processes. Further, all production water pipeline systems are bonded, making a tax designed to fund a disaster fund for mitigating damages from those systems duplicative and unnecessary. Taxing these operations instead introduces uncertainty and increased compliance costs. Because of these added costs, operators are also more likely to transport produced water to SWD locations using alternative methods like truck transport, effectively negating the incredible safety benefits to pipeline-based production water management systems.

Rather than imposing new financial and safety risk burdens on energy producers, North Dakota should focus on maintaining a stable and predictable regulatory environment that encourages investment and job creation. The oil and gas industry plays a vital role in the state's economy, providing tax revenue, employment opportunities, and economic growth. Policies that introduce additional taxes and regulatory constraints will only hinder future development.

By imposing a tax on production water transportation and storage, the bill increases costs, impedes safety, discourages investment, and weakens the state's competitive advantage in energy production. For these reasons, NDPC strongly opposes this bill, and we urge a **Do Not Pass recommendation** for House Bill 1573.

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