



February 13, 2025

Chairman Patton and members of the Senate Energy and Natural Resources Committee,

Thank you for the opportunity to provide testimony on Senate Bill 2208. I am here today on behalf of the Lignite Energy Council to highlight a critical and unfortunate challenge facing North Dakota's energy industry and local governments. While we recognize the complexities of this issue, LEC finds itself in the middle between policy choices made by the state and by the counties. We are the ones who live with the policies given to us by each body, with the goal to develop the resources to bring prosperity to the region and electricity to the world. Our goal today is to find a constructive path forward—one that ensures a strong future for energy development while maintaining the vital role energy production plays in supporting both state and county revenues. This discussion is not about choosing sides but about finding solutions that allow responsible energy projects to move forward while preserving the economic stability that benefits communities across North Dakota.

For decades, North Dakota's lignite industry has led the way in research, development, and infrastructure investments to ensure responsible and sustainable energy production. These efforts have directly benefited the state's economy and its citizens. Through strong public-private partnerships, the industry has worked with state agencies and the legislature to craft policies that foster economic growth while ensuring compliance with evolving regulations. A prime example of this progress is North Dakota's achievement of primacy from the Environmental Protection Agency (EPA) for Class VI wells, which allows for the safe and effective sequestration of carbon dioxide. Additionally, economic incentives and regulatory frameworks have been carefully designed to support the long-term viability of energy projects across the state.

One of the most significant advancements in this space is the development of carbon capture and sequestration projects. These projects have garnered overwhelming support from local landowners, with over 95% voluntarily signing agreements that provide valuable compensation to rural communities. This strong participation highlights the widespread recognition of the economic and environmental benefits these projects offer. Beyond the benefits to landowners, carbon capture presents a major economic opportunity for the coal industry—not just by attracting new investments but also by maintaining and increasing coal severance and coal conversion tax revenues, which are critical county distributions that directly support local government budgets. These revenues fund essential county services, including road maintenance, schools, emergency response, and other public infrastructure. By enabling existing coal facilities to capture and store carbon, these projects ensure that coal remains a critical part of North Dakota's energy mix, securing jobs, local tax revenues, and long-term economic stability.

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Moreover, the EPA’s Greenhouse Gas Rule mandates that every coal plant in the nation must install carbon capture by 2032 or be forced to shut down. This federal requirement places enormous pressure on the coal industry to implement carbon capture technologies, making timely project approvals even more crucial. If these projects face unnecessary delays, regulatory uncertainty, or obstruction at the local level, the economic future of coal-dependent communities will be at risk. Additionally, a reduced coal fleet will lead to grid instability, potential blackouts, and skyrocketing energy costs for ratepayers as reliable baseload power is diminished. These consequences will not only impact coal-producing regions but will be felt statewide as energy affordability and reliability decline.

All of these factors—economic opportunity, energy security, regulatory mandates, and consumer affordability—must be carefully considered by both state and local elected officials when evaluating carbon capture projects. Delays, shifting ordinances or local moratoriums do not just stall individual projects; they jeopardize North Dakota’s energy future, economic stability, and the affordability of electricity for every household and business. Local governments should work collaboratively with state agencies to address concerns and facilitate progress, rather than imposing unnecessary roadblocks to projects that have already met the highest regulatory standards.

The energy industry is not just a key pillar of North Dakota’s economy—it is the foundation of the state’s financial stability. Since the Bakken oil boom began in 2008, oil extraction and production tax revenues have generated more than \$32 billion in direct benefits for North Dakotans, funding critical infrastructure, schools, roads, and essential public services. However, studies conducted by the ND Department of Mineral Resources indicate that without enhanced oil recovery (EOR), Bakken oil production could enter a terminal decline by the mid-2030s. Carbon capture projects from the coal industry provide a vital solution, supplying the CO₂ necessary for EOR, which extends the life of Bakken wells and ensures continued oil production that provides massive amounts of tax revenue to the state and county government budgets.

However, these carbon capture projects require over \$1.5 billion in investment and must navigate complex challenges in research and development, market economics, federal tax policy, and regulatory compliance. For these projects to move forward, investors require certainty—a stable regulatory environment that allows them to minimize risk and commit capital with confidence. If local governments prolong permitting processes, shift regulatory requirements, impose moratoriums or create an environment of uncertainty, these projects will struggle to attract the necessary investment, as well as create conflicting priorities with the State of North Dakota. As the industry that works under both bodies, we can testify that such conflict and misalignment will create ripple effects that will be far-reaching, jeopardizing oil production, reducing state revenues, and ultimately undercutting North Dakota’s ability to maintain a balanced budget.

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This bill highlights a stark reality: the Prairie Dog funding mechanism, which provides counties and cities with \$59,750,000 per biennium, rely on for infrastructure projects, may not exist in the future if energy development is hindered by county and state misalignment. The lignite industry is a partner with the counties in providing funds through severance and conversion taxes for roads, schools and infrastructure and sees the positive leverage these funds provide. If North Dakota fails to provide a predictable and stable framework for advancing critical energy projects, the state's economic momentum could stall, leading to revenue shortfalls that would impact every level of government.

These are difficult but essential discussions. North Dakota's future depends on a balanced approach—one that respects local oversight while ensuring the continued advancement of responsible energy development. We urge thoughtful dialogue to preserve North Dakota's leadership in energy production and maintain the economic stability that benefits communities across the state.

Thank you for your consideration,

Jason Bohrer
President and CEO
Lignite Energy Council