

1 Chairman Craig Headland & members of the committee, my name is Scott Skokos and I
2 am testifying on behalf of Dakota Resource Council and our members. Thank you for allowing
3 me to submit written testimony in opposition of HB 1412.

4 Dakota Resource Council (DRC) is a non-partisan grassroots group of landowners,
5 ranchers, farmers, and other citizens. A key part of our mission is to promote the sustainable use
6 of North Dakota's natural resources. We are concerned about the implications of what we
7 believe is a proposed tax cut in HB 1412.

8 On page 1, line 10-12 HB 1412 states "a coal conversion facility is exempt from sixty
9 percent of the tax imposed under section 57 - 60 - 02" and on lines 14-15 it states "An electrical
10 generating plant is exempt from the generation tax imposed under subsection 3 of section 57 - 60
11 - 02." There is no reason to support a tax exemption for an industry that is quickly becoming
12 outdated. Many in the coal industry will point to renewables and "climate activists" as killing
13 coal. When in fact it is market forces from cheap, abundant natural gas that is the biggest player
14 in coal's decline. Consumer preferences for clean energy only add to coal's troubles, but it is not
15 the primary driver. Economics, not climate activists, are coal's biggest problem. Falling natural
16 gas prices make it so coal is no longer the cheapest fossil fuel.¹ It is understandable that North
17 Dakota would want to save an industry that has given so much to the state and a large population
18 of workers in the state hold a strong identity to coal. Coal has provided great livelihoods and
19 revenue to communities for decades. We know that these jobs help people provide for their
20 families. However, are we going to be a nanny state and protect an industry that is being out-
21 competed in a free-market by natural gas, consumer preferences, and productivity gains?

22 We believe HB 1412 to be a form of corporate welfare for one industry. If we could say,
23 yes 100%, HB 1412 will save the coal industry then it could possibly be justified. That is not the
24 case because North Dakota isn't isolated and will be impacted by market forces outside of its
25 control. There are better options to help communities and workers transition than cling to a
26 fantasy. We need to be honest about the future in our rapidly changing energy economy and
27 prepare workers accordingly. HB 1412 is an attempt to bail-out one industry because of legacy
28 and nostalgia.

29 Another concerning aspect of the bill is diverting funds towards the lignite research fund.
30 We know that there is a big push for research and innovation around carbon sequestration (CCS)
31 and other uses for lignite coal. Many proponents of CSS projects in ND will tell you that CCS is
32 a "new technology" and "innovative", when in fact it has been around for decades. CCS projects
33 have been tried around the world and failed. They are not economically feasible. Why waste
34 money on something already proven not to work? A similar CCS project, Petra Nova in Texas,
35 was mothballed and did not deliver or capture what it was promised to. According a 2020 report
36 from the Institute for Energy Economics and Financial Analysis, which states "overall, Petra
37 Nova captured 662,000 fewer metric tons of CO2 than projected during its first three years of

¹ <https://siepr.stanford.edu/research/publications/what-killing-us-coal-industry>

38 operation. That is a serious shortfall that merits investor caution. The promise for investors
39 considering putting money into CCS projects is that in return for funding a project's
40 construction, they will recover their investment through a steady stream of payments via the
41 federal government's 45Q tax credits, which offer \$35 per metric ton for plants like Petra Nova
42 that use the captured CO2 for enhanced oil recovery activities and \$50 per metric ton for CO2
43 sequestered underground."² In addition IEEFA released another 2020 report on ND's proposed
44 Project Tundra specifically, you can find analysis of the risks in their report "Project Tundra: A
45 Step in the Wrong Direction Carbon Capture Project Carries Large Risks for Investors and Co-op
46 Members".³ We highlight these reports because CCS is the primary way being touted for the coal
47 industry to remain viable, even as CCS has been repeatedly shown already not to be
48 economically viable. If private investors were interested in lignite technologies or CCS projects
49 like Project Tundra, the lignite industry would not be asking for millions of dollars in taxpayer
50 money. Investors around the country are looking forward to the future and recognizing a bad
51 investment when they see it. The North Dakota government should do the same.

52 There are several other protectionist bail-out bills for the coal industry this session
53 including HB 1452 where the lignite council will serve on a committee to dole out 25 million
54 dollars for research projects that reduce environmental impacts of energy. This is an absolute
55 waste of taxpayer money; it is not helping anyone pretend that the coal industry can be saved.
56 We highlight this only to show the obvious need for government assistance rather than compete
57 with the free market. HB 1412 is another attempt to bail-out the coal industry. Productivity gains
58 have cost good jobs for centuries. This is not a new story and has happened in the timber
59 industry, steel industry, auto industry, and others. Progress in technology often leads for fewer
60 workers needed, which is the case with natural gas plants which require less workers to operate
61 than coal plants. This does not make it any easier on workers, families, or the state which profits
62 off coal, we understand that. Which is why taxes should not be cut from counties reliant on the
63 coal industry right now as proposed in HB 1412. Cutting off taxes for counties at this pivotal
64 time would be a disastrous idea.

65 If leadership in North Dakota would decide to be honest with workers, then those taxes
66 (while they are still available) could be used for a transition fund for coal-dependent
67 communities. The taxes could also be used for retraining programs for coal workers. We know
68 this is an unpopular idea, and we sympathize with how frustrating this situation is. However, that
69 doesn't change the reality of our current energy economy. Tax revenue (as it currently is) could
70 be used by counties to engage in economic development to help mitigate the loss of the coal
71 industry. There will not be one industry that can replace coal for these communities. It will need
72 to be a broad, diverse strategy to help these communities. Looking forward to the future honestly
73 rather than clinging to the past is challenging, but embracing progress will be better in the long-

² https://ieefa.org/wp-content/uploads/2020/08/Petra-Nova-Mothballing-Post-Mortem_August-2020.pdf

³ https://ieefa.org/wp-content/uploads/2020/09/Project-Tundra_A-Step-in-the-Wrong-Direction_September-2020.pdf

Testimony of Dakota Resource Council
House Bill 1412
February 3rd, 2021

74 term. This is why we do not support a tax cut for the coal industry as counties, communities, and
75 workers need those funds to diversify their economies and make plans for their futures.

76 I urge the committee to oppose HB 1412 and recommend a **DO NOT PASS** on HB 1412.

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