

**2025 HOUSE FINANCE AND TAXATION**

**HB 1573**

## 2025 HOUSE STANDING COMMITTEE MINUTES

### Finance and Taxation Committee Room JW327E, State Capitol

HB 1573  
2/3/2025

Relating to the imposition of a pore space utilization tax and creation of a North Dakota disaster fund; and to provide an effective date.

11:09 a.m. Chairman Headland opened the hearing.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives Anderson, Dockter, Dressler, Foss, Grueneich, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman

**Discussion Topics:**

- Finite resources
- CO2 sequestration

11:10 a.m. Representative SuAnn Olson introduced the bill and submitted testimony #33504.

11:26 a.m. Zachary Cassidy, Organizer, DRC, testified in favor and submitted testimony #33322 and #33540.

11:28 a.m. Charlie Adams, Agriculture and Stakeholder Relations Manager, Summit Carbon Solutions stood to introduce Mr. Skaare.

11:29 a.m. Jeffery Skaare, Summit Carbon Solutions, testified in opposition and submitted testimony #33678.

11:44 a.m. Ron Ness, President, ND Petroleum Council, testified in opposition and submitted testimony #33822.

11:47 a.m. Laura Lacher testified in opposition and submitted testimony #33653.

11:48 a.m. Andrew Nygren, Division Director, Water Appropriation Division of ND Water Recourses, testified in opposition and submitted testimony #33812.

11:50 a.m. Jonathan Fortner, VP Government Relations, Lignite Energy Council, testified in opposition and submitted testimony #33560.

11:51 a.m. Andrea Pfennig, VP Government Relations, GNDC, testified in opposition and submitted testimony #33496.

11:52 a.m. Chairman Headland closed the hearing.

*Janae Pinks, Committee Clerk*

**Zach Cassidy**

DRC

Organizer

Dear Mr Chairman and Committee Members,

I am Zachary Cassidy, representing Dakota Resource Council in support of HB 1573. This bill would impose a \$5 tax on carbon transported more than 25 miles. This money would then be used for mitigating damages, purchasing specialized equipment, training, and disasters. We believe this is common sense. If communities are going to be forced into these practices, lets make sure that they are protected if things go wrong.

As such we recommend DO PASS on this bill.

Best,

Zach Cassidy



**GREATER NORTH DAKOTA CHAMBER  
HB 1573**

**House Finance & Taxation Committee  
Chair Craig Headland  
February 3, 2025**

Mr. Chairman and members of the Committee, my name is Andrea Pfennig, and I am the Vice President of Government Affairs for the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization, with membership represented by small and large businesses, local chambers, and trade and industry associations across the state. We stand in **opposition** of House Bill 1573.

We support pro-business policies that improve the legal and regulatory environment, maintain consistency, promote growth, and lower business costs. Rather than accomplishing this, HB 1573 would create new costs and administrative burdens.

Additionally, the allocation of the proposed tax revenues raises questions about accountability and transparency. While the bill outlines the overall general purpose, there is no clear explanation of how these funds would be managed or overseen.

North Dakota has positioned itself as a leader in energy innovation, particularly with regards to carbon capture and storage (CCS) technologies. The proposed tax would send a negative message about the business climate in North Dakota and have a chilling effect on investment.

HB 1573 erodes decades worth of work by both the state and private entities to ensure that North Dakota is positioned for growth. Now is not the time to go backwards. We hope you will **OPPOSE** SB 1573.



**HB 1573: Pore Space Utilization**  
**House Finance & Taxation Committee**  
**February 3, 2015**  
**Presented by Rep. SuAnn Olson**

Mr. Chairman and members of the committee, HB 1573 introduces a tax on a new industry in North Dakota and that is the business of pore space utilization. Utilization of pore space can be thought of as the inverse of oil and gas development and coal mining. In North Dakota, we have a severance tax on oil and gas and coal because they are "wasting" resources; they are finite and used up over time. In that sense, utilization of pore space is the same; it is finite and used up over time. If ND taxes the utilization of the established industries of oil and gas production and coal mining, then this new industry of pore space utilization should mirror them. The bill exempts the use of pore space that is part of another industrial process in the state; for example, coal mines or ethanol plants sequestering CO<sub>2</sub> near their own plant.

Section 1 of the bill imposes a tax of \$5/ton on a substance that travels through a pipeline of greater than 25 miles from onloading site to offloading site. The remainder of page 1 and most of page 2 describes how the tax is paid. Page 2, line 24 describes the allocation of the tax collected. The first \$500 million dollars will be placed in a new fund, the North Dakota Disaster Fund, with any remaining funds going to the general fund. Page 3 describes the uses of the disaster fund. It can be accessed for damages related to transporting the substance subject to the tax. It can be accessed for specialized equipment and training that may be needed to respond to transporting hazards which are not provided by any other party. It can be accessed by declaration of the Governor for other purposes as well.

Members of the committee, this is a bill that equitably taxes an industry that is effectively new to the nation. Sequestering any substance in pore space is in its infancy. There is sufficient evidence that there can be significant problems. As recently as last year, several leaks were found in Illinois in a project run by ADM. In those instances, ground water wasn't contaminated, but the incident highlights the fact that expensive clean up is not impossible. Denbury's 2020 incident in Sartatia Mississippi is another reminder that incidents are possible. In fact, a well-referenced report by Great Plains Institute from August 2024, says there have been 4.1 CO<sub>2</sub> accidents per year since 1988, a period of time when the existence of CO<sub>2</sub>

pipelines have gone from virtually zero to the current approximately 5,000 miles of pipeline, a number which is almost unmeasurable compared to the nearly 1.3 million miles of oil and gas distribution, gathering and transmission lines in service today. The report also states that, based on the data, we can expect an accident rate of .001 per mile. This means that the new line bringing 19 million tons of CO<sub>2</sub> per year from a 5-state area could average 2.5 accidents per year. The severity of a disaster can't be predicted but if water sources are contaminated, if there is loss of life, livestock, buildings or infrastructure, the costs can be significant. A disaster fund makes sense.

Most of the miles the newly permitted CO<sub>2</sub> line traverses in North Dakota is rural, except for the area around Bismarck. Nearly all of that footprint is serviced by volunteer fire departments and small ambulance departments. The volunteers go through some training, but emergency response is not their full-time job. I live north of Bismarck about 12 miles, but Wilton has been my home base for many years. I live in Wilton's emergency response district and the proposed new CO<sub>2</sub> pipeline, which is just north of my home, is in their district. One of the volunteer firemen has asked me several times, "What are we supposed to do if there's a CO<sub>2</sub> incident?" He recognizes that they don't have the people, the knowledge, or the equipment to handle something like this. The disaster fund will help supply equipment and training if they are needed beyond what is otherwise required to be supplied.

Members of the committee, I don't know if \$5/ton is the right amount, and it can certainly be adjusted. \$500 million is a good target for the disaster fund though and we should determine a tax structure that will fully fund it as quickly as possible.

Mr. Chairman and members of the committee, I respectfully urge you to give HB 1295 as amended a DO PASS recommendation. Thank you.



**GREAT PLAINS  
INSTITUTE**

ISSUE BRIEF

# **A Review of the Safety Record of CO<sub>2</sub> Pipelines in the United States**

---

Author: Ryan Kammer, Great Plains Institute

August 2024

---

Suggested Citation: "A Review of the Safety Record of CO<sub>2</sub> Pipelines in the United States."  
Great Plains Institute, [August 2024](#).

## Introduction

Totalling over 5,000 miles, carbon dioxide (CO<sub>2</sub>) pipelines have operated in various regions of the United States for decades, largely between natural sources of CO<sub>2</sub> and enhanced oil recovery fields. While estimates for the number of miles needed vary, deploying carbon capture technologies at power and industrial facilities to aid in the decarbonization of the US economy will necessitate an expansion of the nation's CO<sub>2</sub> pipeline network.<sup>1</sup>

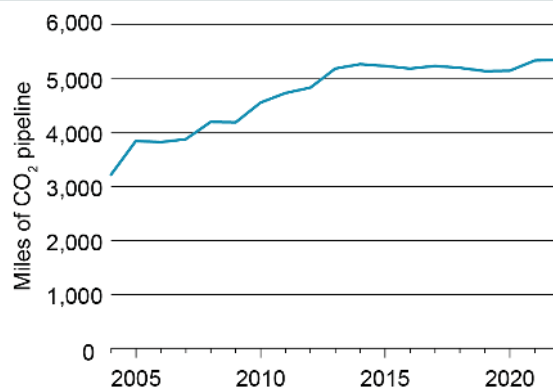
The Pipeline and Hazardous Materials Safety Administration (PHMSA), a federal agency under the US Department of Transportation, is responsible for developing and enforcing regulations related to the safe operation of pipeline infrastructure in the US, including supercritical CO<sub>2</sub> pipelines.<sup>2</sup>

This issue brief provides an overview of the historical accident record of CO<sub>2</sub> pipelines in the US. The brief aims to provide publicly available data reported by pipeline operators to PHMSA to understand a variety of aspects related to CO<sub>2</sub> pipeline safety in the US. For a more detailed review of CO<sub>2</sub> pipeline construction, operation, and oversight, see a [recent report](#) from the Global CCS Institute, which included collaboration with the Great Plains Institute.<sup>3</sup>

## History of CO<sub>2</sub> pipelines in the united states

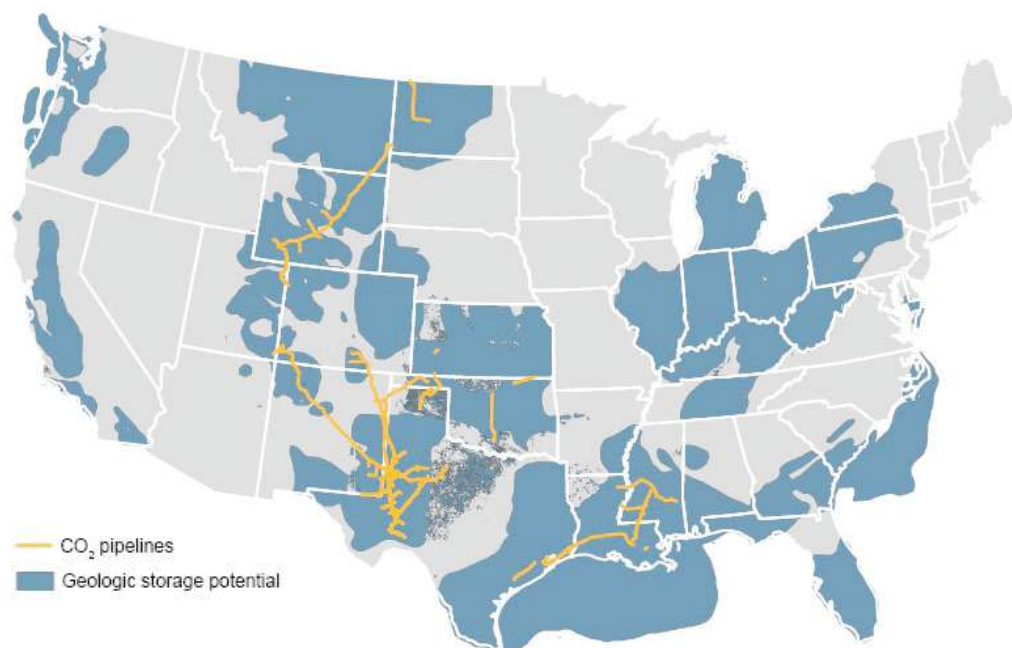
The first large-scale CO<sub>2</sub> pipelines were built in the 1970s for use during the enhanced oil recovery process in the Permian Basin in West Texas.<sup>4</sup> Growing to over 3,000 miles by the early 2000s, US CO<sub>2</sub> pipeline infrastructure has steadily climbed to over 5,000 miles in operation today (figure 1). CO<sub>2</sub> pipeline infrastructure is present in multiple regions of the US and includes natural and anthropogenic sources of CO<sub>2</sub>, as well as oil reservoirs and saline geologic formations as storage locations (figure 2).

**Figure 1. Miles of pipeline in the United States classified as CO<sub>2</sub> from 2004 to 2022.**



Source: Pipeline and Hazardous Materials Safety Administration, "Annual Report Mileage for Hazardous Liquid or Carbon Dioxide Systems."

**Figure 2. CO<sub>2</sub> pipelines and geologic formations with CO<sub>2</sub> storage potential in the United States.**



Sources: Bauer et al., "NATCARB."; Pipeline and Hazardous Materials Safety Administration, "Active CO<sub>2</sub> Pipelines in the NPMS."

1. Abramson, McFarlane, and Brown, *Transport Infrastructure for Carbon Capture and Storage*; Larson et al., *Net-Zero America: Potential Pathways, Infrastructure, and Impacts*, 17; Wallace et al., "A Review of the CO<sub>2</sub> Pipeline Infrastructure in the U.S.," 12–30.
2. United States Code of Federal Regulations, "49 CFR Part 195 - Transportation of Hazardous Liquids by Pipeline."
3. Minervini et al., *Building Our Way to Net-Zero: Carbon Dioxide Pipelines in the United States*.
4. Wallace et al., "A Review of the CO<sub>2</sub> Pipeline Infrastructure in the US."



# Review of accident record

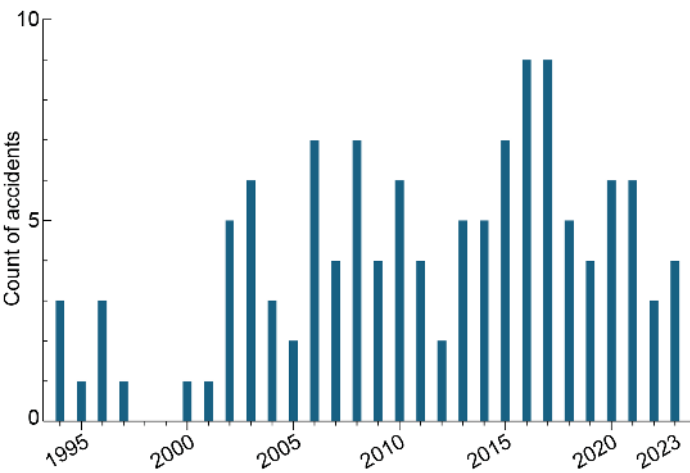
Accidents in a CO<sub>2</sub> pipeline must be reported to PHMSA if any one of the following events occur:

- Explosion or fire not intentionally set by the operator
- Release of 5 gallons or more, or 5 barrels or more if release occurs during maintenance
- Injury requiring hospitalization or a death
- Estimated total property damage exceeding \$50,000 <sup>5</sup>

In the event of a reportable accident, an operator must submit an accident report to PHMSA within 30 days and may be required to notify the National Response Center within one hour if the accident meets certain criteria.

PHMSA publishes data from pipeline accident reports on its website, which are used in this analysis.<sup>6</sup> The first recorded CO<sub>2</sub> pipeline accident was in 1994, after PHMSA was authorized to enforce safety regulations related to CO<sub>2</sub> pipelines beginning in 1988. Since then, CO<sub>2</sub> pipelines have had an average of 4.1 accidents per year and have never had more than nine accidents in a single year (figure 3). From 2004 to 2022, CO<sub>2</sub> pipelines had an average accident rate of 0.001 per mile in operation per year.

Figure 3. Count of accidents by year.



Source: Pipeline and Hazardous Materials Safety Administration, “Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data.”

5 United States Code of Federal Regulations, “49 CFR Part 195 - Transportation of Hazardous Liquids by Pipeline.”  
6 Pipeline and Hazardous Materials Safety Administration, “Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data.” The reported data fields and naming conventions used by PHMSA have changed over time. This analysis has aggregated the data fields presented, with an explanation of crosswalks included as an appendix.  
7 National Petroleum Council, *Meeting the Dual Challenge. A Roadmap to At-Scale Deployment of Carbon Capture, Use, and Storage. Volume III, Chapter Six - CO<sub>2</sub> Transport.*

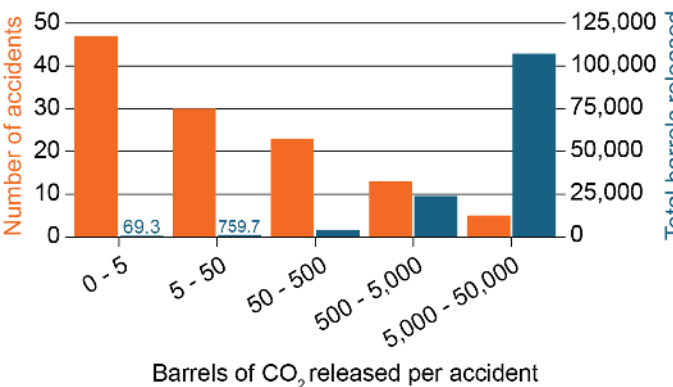
# Unintentional releases of CO<sub>2</sub>

Accidents have ranged in size from 0.1 (i.e., 5 gallons, the minimum amount required to be reported) to 41,177 barrels of CO<sub>2</sub> unintentionally released, with an average unintentional release of 1,150 barrels and a median release amount of 20 barrels.

In total, CO<sub>2</sub> pipeline accidents have resulted in roughly 135,000 barrels of CO<sub>2</sub> being unintentionally released, an average of 4,500 barrels per year. The density of CO<sub>2</sub> is affected by temperature and pressure, but a barrel of CO<sub>2</sub> is roughly between 0.13 and 0.16 metric tons of CO<sub>2</sub> at pipeline operating conditions. Current CO<sub>2</sub> pipeline infrastructure transports over 66 million metric tons of CO<sub>2</sub> per year,<sup>7</sup> equating to 0.001 percent of transported CO<sub>2</sub> being lost to unintentional releases from CO<sub>2</sub> pipeline accidents in an average year.

Most releases (65.3 percent) have resulted in 50 barrels or less released, while the five releases with a volume greater than 5,000 barrels have accounted for 79 percent of all unintentionally released CO<sub>2</sub> from pipeline accidents (figure 4).

Figure 4. Number of accidents and total barrels released by size of release, per accident.

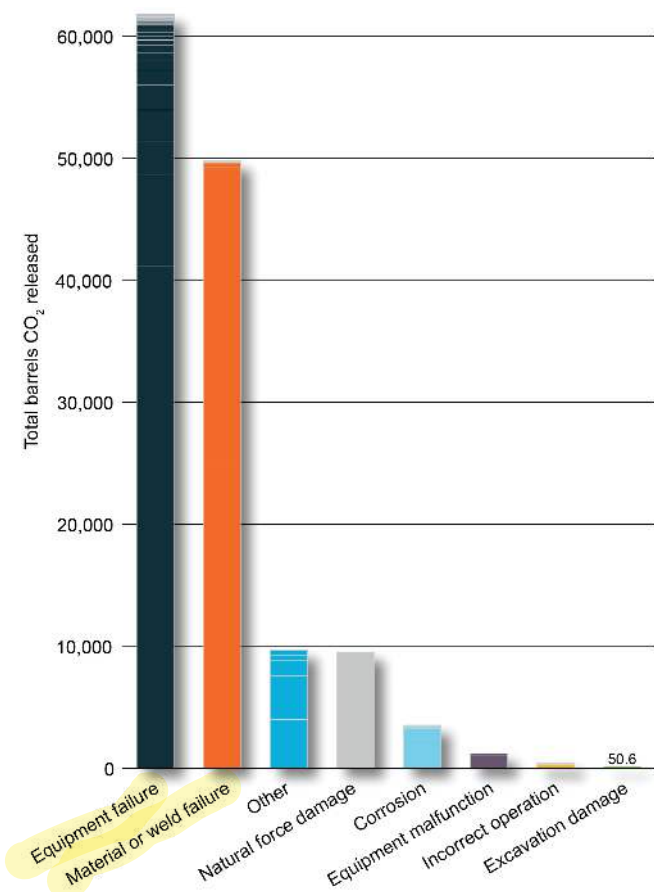


Note: Orange bars indicate the number of accidents of a given size, blue bars indicate total barrels of CO<sub>2</sub> released for all accidents of the given size range. Five accidents did not report amount of CO<sub>2</sub> released and are not included.

Source: Pipeline and Hazardous Materials Safety Administration, “Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data.”

A variety of causes for pipeline accidents have been reported, with the primary causes of CO<sub>2</sub> pipeline accidents related to equipment and material or weld failure in both the number of accidents and the total volume released (figure 5). Accidents due to equipment failures have typically involved various valve, O-ring, gasket, or seal failures and have resulted in a wide range of releases.

**Figure 5. Total barrels CO<sub>2</sub> released by cause of accident.**



**Note:** Each colored bar indicates a cause of release, each bar within a color indicates a separate accident.

**Source:** Pipeline and Hazardous Materials Safety Administration, "Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data."

Material or weld failures also have a wide range of total barrels released, though most involved releases of less than 1,000 barrels of CO<sub>2</sub>. Many of these accidents involved small cracks, typically a few inches long, that resulted in slow but noticeable releases of CO<sub>2</sub>. Repairs related to material or weld failures typically involve replacing 5 to 10 feet around the failed location, though some accidents reported replacing up to 70 feet of affected pipeline.

## Intentional releases of CO<sub>2</sub>

In some cases, an intentional release of CO<sub>2</sub> may be required while remediating a CO<sub>2</sub> pipeline after an accident. In these instances, the operator releases CO<sub>2</sub> to depressurize the pipeline prior to repair, often referred to as blowdown, in a controlled manner that does not pose a risk to the area or the public.<sup>8</sup>

PHMSA began requiring operators to include intentionally released CO<sub>2</sub> in 2010. Since then, accidents involving intentional releases have had an average intentional release amount of 7,735 barrels and a median release amount of 923. A total of 278,000 barrels of CO<sub>2</sub> have been intentionally released due to reportable pipeline accidents, with 90 percent of the intentionally released CO<sub>2</sub> resulting from the ten largest intentional releases.

## High consequence areas

Pipeline operators must create an integrity management program to ensure the ongoing safe operation and maintenance of their pipelines.<sup>9</sup> During the development of the integrity management program, a pipeline segment or facility may be identified as one that could affect a high consequence area (HCA) in the event of an accident. PHMSA defines HCAs as urbanized or high population areas (defined by the Census Bureau), commercially navigable waterways, and unusually sensitive areas.<sup>10</sup> If a pipeline segment or facility could affect an HCA, the operator is required to include the pipeline segment or facility in its integrity management program, which may require additional safety measures and assessments. If a pipeline segment is identified as one that could affect an HCA as new information becomes available (e.g., new Census data), the operator must add the pipeline section to its integrity management program.<sup>11</sup>

Over the past ten years, an average of 565 miles of CO<sub>2</sub> pipeline has been identified as capable of affecting an HCA in the event of an accident. Ten accidents have occurred where CO<sub>2</sub> released during an accident reached an HCA. Seven of those accidents had identified the segment of pipeline as having the potential to reach an HCA, while three of the accidents where CO<sub>2</sub> reached an HCA had not identified an HCA along the pipeline segment affected by the accident. An additional four accidents were identified as potentially impacting an HCA in the event of an accident, but no CO<sub>2</sub> reached an HCA due to the reported accident.

<sup>8</sup> Pipeline and Hazardous Materials Safety Administration, "Instructions for Form PHMSA F 7000-1."

<sup>9</sup> Pipeline and Hazardous Materials Safety Administration, Pipeline Integrity Management.

<sup>10</sup> United States Code of Federal Regulations, "49 CFR Part 195 - Transportation of Hazardous Liquids by Pipeline."

<sup>11</sup> Pipeline and Hazardous Materials Safety Administration, "Implementing Integrity Management - Final Rule (as Amended)."

# Impacts of CO<sub>2</sub> pipeline accidents

Operators must report any injuries, fatalities, and/or damage to property and additional costs associated with a pipeline accident. Property damage includes damage to operator, public, and non-operator property, the value of the CO<sub>2</sub> lost upon release during the accident, costs associated with repairs to the pipeline segment or facility, emergency response, environmental remediation, and other costs related to a pipeline accident.<sup>12</sup>

CO<sub>2</sub> pipelines have not had a reported fatality since reporting began in 1988 and have only had one reported injury, which was a contracted worker during an excavation.<sup>13</sup> While only one accident has reached the threshold for a reportable accident, which requires overnight hospitalization, it is important to note that a serious accident occurred involving natural force damage to a CO<sub>2</sub> pipeline in Sartartia, Mississippi. As a result of this accident, 200 residents near the rupture location were evacuated, and 45 people were taken to the hospital.<sup>14</sup>

CO<sub>2</sub> pipeline accidents are typically smaller in scale than pipeline accidents involving hazardous liquids and have a different makeup of the associated property damage costs. At the time of this report, CO<sub>2</sub> pipeline accidents have resulted in \$9.2 million (2023\$) in property damage.<sup>15</sup>

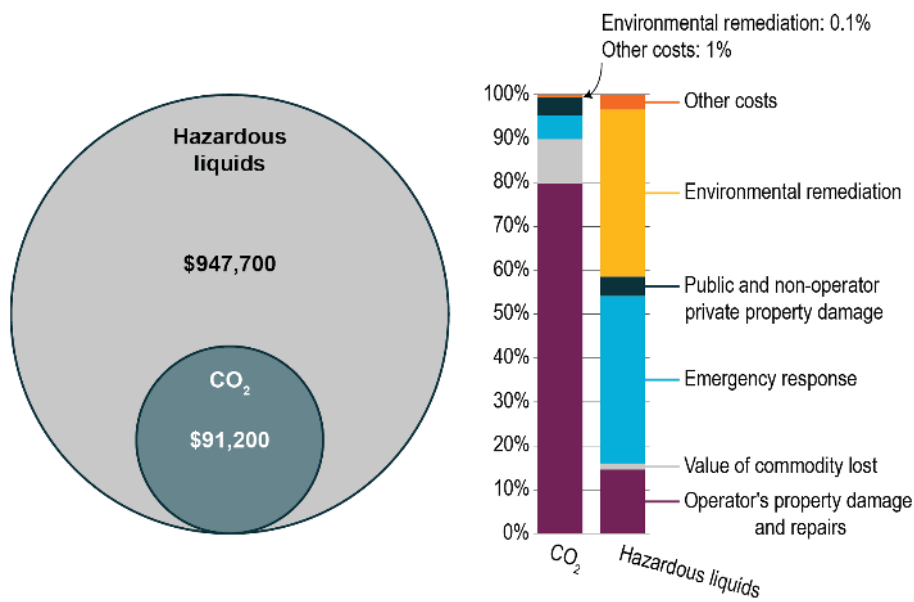
Nearly half of the reported total property damage resulted from one accident involving natural force damage to a CO<sub>2</sub> pipeline. Since 2010, CO<sub>2</sub> pipeline accidents have had an average total property damage of \$91,200 (2023\$), compared to an average total property damage of \$947,700 for pipeline accidents involving hazardous liquids. Over 80 percent of the property damage associated with CO<sub>2</sub> pipeline accidents has been related to damage to an operator's property. In contrast, other types of hazardous liquid pipeline accidents have a much higher portion of the overall costs to property damage associated with emergency response and environmental remediation since 2010 (figure 6).

## Conclusion

The safe operation of CO<sub>2</sub> pipelines is paramount to the effective deployment of carbon capture technologies to decarbonize the power and industrial sectors of the US. This issue brief provides a review of the safety record of CO<sub>2</sub> pipelines in the US, highlighting the quantity, size, and general cause of CO<sub>2</sub> pipeline accidents since PHMSA began regulating them in 1988.

CO<sub>2</sub> pipelines have a strong overall safety record, as evidenced in this issue brief, but serious accidents are still possible, necessitating continued advancement of safety standards and oversight by PHMSA.

Figure 6. Property damage associated with CO<sub>2</sub> and hazardous liquid pipeline accidents since 2010.



**Note:** Left circles show the average total property damage of CO<sub>2</sub> and hazardous liquid pipeline accidents (2023\$, not to scale). Right bars show the average percent cost by damage type.

**Source:** Pipeline and Hazardous Materials Safety Administration, "Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data."

12 Pipeline and Hazardous Materials Safety Administration, "Instructions for Form PHMSA F 7000-1."  
 13 Pipeline and Hazardous Materials Safety Administration, *Background for Regulating the Transportation of Carbon Dioxide in a Gaseous State*;  
 Pipeline and Hazardous Materials Safety Administration, "Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data."  
 14 Pipeline and Hazardous Materials Safety Administration, *Failure Investigation Report - Denbury Gulf Coast Pipelines, LLC - Pipeline Rupture/Natural Force Damage*.  
 15 Pipeline and Hazardous Materials Safety Administration, "Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data."

## References

- Abramson, Elizabeth, Dane McFarlane, and Jeff Brown. *Transport Infrastructure for Carbon Capture and Storage*. Great Plains Institute, 2020. [https://www.betterenergy.org/wp-content/uploads/2020/06/GPI\\_RegionalCO2Whitepaper.pdf](https://www.betterenergy.org/wp-content/uploads/2020/06/GPI_RegionalCO2Whitepaper.pdf).
- Larson, Eric, Chris Greig, Jesse Jenkins, Erin Mayfield, Andrew Pascale, Chuan Zhang, Joshua Drossman, et al. *Net-Zero America: Potential Pathways, Infrastructure, and Impacts*. Princeton University, 2021. [https://netzeroamerica.princeton.edu/img/Princeton%20NZA%20FINAL%20REPORT%20SUMMARY%20\(29Oct2021\).pdf](https://netzeroamerica.princeton.edu/img/Princeton%20NZA%20FINAL%20REPORT%20SUMMARY%20(29Oct2021).pdf).
- Minervini, Joey, Jamie Burrows, Errol Pinto, and Hugh Barlow. *Building Our Way to Net-Zero: Carbon Dioxide Pipelines in the United States*. Global CCS Institute, 2024. <https://www.globalccsinstitute.com/wp-content/uploads/2024/05/Building-Our-Way-to-Net-Zero-Carbon-Dioxide-Pipelines-in-the-United-States.pdf>.
- National Petroleum Council. *Meeting the Dual Challenge. A Roadmap to At-Scale Deployment of Carbon Capture, Use, and Storage. Volume III, Chapter Six - CO<sub>2</sub> Transport*, 2021. [https://dualchallenge.npc.org/files/CCUS-Chap\\_6-030521.pdf](https://dualchallenge.npc.org/files/CCUS-Chap_6-030521.pdf).
- Pipeline and Hazardous Materials Safety Administration. *Background for Regulating the Transportation of Carbon Dioxide in a Gaseous State*, 2015. [https://downloads.regulations.gov/PHMSA-2016-0049-0001/attachment\\_2.pdf](https://downloads.regulations.gov/PHMSA-2016-0049-0001/attachment_2.pdf).
- — —. “Distribution, Transmission & Gathering, LNG, and Liquid Accident and Incident Data,” May 6, 2024. <https://www.phmsa.dot.gov/data-and-statistics/pipeline/distribution-transmission-gathering-lng-and-liquid-accident-and-incident-data>.
- — —. *Failure Investigation Report - Denbury Gulf Coast Pipelines, LLC - Pipeline Rupture/Natural Force Damage*, 2022. <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2022-05/Failure%20Investigation%20Report%20-%20Denbury%20Gulf%20Coast%20Pipeline.pdf>.
- — —. “Implementing Integrity Management - Final Rule (as Amended),” July 17, 2007. <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/technical-resources/pipeline/hazardous-liquid-integrity-management/61846/finalruleamended.pdf>.
- — —. “Instructions for Form PHMSA F 7000-1,” April 2023. [https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2023-06/Current\\_HL\\_Accident\\_Instructions\\_PHMSA%20F%207000-1\\_2023-04%20and%20Beyond.pdf](https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2023-06/Current_HL_Accident_Instructions_PHMSA%20F%207000-1_2023-04%20and%20Beyond.pdf).
- — —. Pipeline Integrity Management, 49 CFR 195.452-195.454 § (n.d.). <https://www.ecfr.gov/current/title-49/subtitle-B/chapter-I/subchapter-D/part-195/subpart-F/subject-group-ECFRbe0c227f191b36d>.
- United States Code of Federal Regulations. “49 CFR Part 195 - Transportation of Hazardous Liquids by Pipeline.” Accessed July 1, 2024. <https://www.ecfr.gov/current/title-49/subtitle-B/chapter-I/subchapter-D/part-195>.
- Wallace, Matthew, Lessly Goudarzi, Kara Callahan, and Robert Wallace. “A Review of the CO<sub>2</sub> Pipeline Infrastructure in the U.S.” National Energy Technology Laboratory, April 21, 2015. <https://www.energy.gov/policy/articles/review-co2-pipeline-infrastructure-us>.

# Appendix

Value	1986 to 2001	2002 to 2009	2010 to present
Year	IDATE	IYEAR	IYEAR
Unintentional barrels released	LOSS	SPILLED*	UNINTENTIONAL_RELEASE_BBLS
Intentional barrels released**	N/A	N/A	INTENTIONAL_RELEASE_BBLS
Total property damage***	PRPTY	PRPTY	PRPTY
Cause of accident	CAUS	GEN_CAUSE_TXT	CAUSE

\*From 2002 to 2009, accident report data included “SPUNIT\_TXT,” which identifies whether the reported volume is in gallons or barrels. Accidents with volumes reported in gallons have been converted to barrels at a conversion rate of 42 gallons per barrel.

\*\*PHMSA did not begin requiring the reporting of intentional barrels released until 2010. All barrels reported released prior to 2010 are assumed to be unintentional in this issue brief.

\*\*\*Property damage values have been converted to 2023\$ using the GNP Implicit Price Deflator, annual average.

**Zach Cassidy**

DRC

Organizer

Dear Mr Chairman and Committee Members,

I am Zachary Cassidy, representing Dakota Resource Council in support of HB 1573. This bill would impose a \$5 tax on more than 25 miles of carbon transport. This money would then be used to mitigate damages, purchase specialized equipment, train, and deal with disasters. We believe this is common sense. If communities are going to be forced into these practices, let's make sure that they are protected if things go wrong.

While many insist that these pipelines are perfectly safe, and there is no reason for this bill, we also see this as forward-thinking as the money is also to be used for equipment and training. PHMSA is currently reviewing safety standards for these pipelines. Recently in Illinois, it was found that, after years of use, 13 Chrome Steel may be inadequate. DRC sees that this money could be useful for the safety of our communities, in terms of paying for additional training for our Emergency Responders and any equipment upgrades that are needed.

As such we recommend DO PASS on this bill.

Best,

Zach Cassidy





February 3, 2025

Chairman Headland and Members of the House Finance and Taxation Committee,

Thank you for the opportunity to testify in opposition to HB 1573 on behalf of the Lignite Energy Council. North Dakota already has a comprehensive financial and regulatory framework to address risks associated with CO<sub>2</sub> pipelines and storage, making this bill unnecessary. The Carbon Dioxide Storage Facility Trust Fund, established under NDCC § 38-22-15, ensures adequate funding for emergency response, long-term monitoring, and post-closure remediation through an industry-paid fee per ton of injected CO<sub>2</sub>. Additionally, the North Dakota Industrial Commission (NDIC) enforces strict financial assurance and safety requirements, supported by the state's Class VI primacy from the EPA.

Operators are already required to demonstrate financial responsibility under NDAC 43-05-01-09.1, ensuring that funds are available for post-closure monitoring, emergency response, and remediation. These financial assurances include surety bonds, trust funds, or other mechanisms to cover the long-term risks associated with carbon sequestration. Additionally, if existing funds are found to be insufficient, operators must make additional payments to ensure financial coverage, meaning the burden does not fall on taxpayers. The NDIC also assumes responsibility for long-term site care after closure, using funds from the Carbon Dioxide Storage Facility Trust Fund to cover monitoring and corrective actions.

HB 1573's \$5 per ton pore space utilization tax would impose a needless financial burden on CCUS projects, discouraging investment and jeopardizing North Dakota's leadership in carbon storage. The bill also creates a duplicative disaster fund, despite an existing, industry-funded trust already covering these risks. This additional tax and bureaucracy would increase costs for energy producers, ethanol plants, and industrial facilities engaged in carbon capture, undermining the economic viability of these projects.

North Dakota's current framework ensures both financial responsibility and public safety without imposing unnecessary costs. HB 1573 is redundant and counterproductive. For these reasons, the Lignite Energy Council urges the committee to defeat this bill with a "Do Not Pass" recommendation and support the proven regulatory system already in place.

Thank you for your consideration,

Jonathan Fortner  
VP of Government Relations  
Lignite Energy Council



**Testimony of Ryan Carter, Chief Operating Officer of Tharaldson Ethanol**

**North Dakota Ethanol Producers Association**

**Opposition of HB 1573**

**February 3, 2025**

Chairman Headland and members of the House Finance and Taxation committee,

I am Ryan Carter, Chief Operating Officer of Tharaldson Ethanol in Casselton, ND. Our facility is the ninth largest ethanol manufacturing facility in the United States and produces a high-octane, clean burning fuel that reduces our nation's dependence on foreign oil, while utilizing our locally grown, renewable agricultural resources. In total our plant produces 175 million gallons of ethanol every year.

I am also the vice president of the North Dakota Ethanol Producers Association (NDEPA), which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. On behalf of NDEPA, I am here to oppose HB 1573, which proposes the imposition of a pore space utilization tax, which would negatively impact the ethanol industry and its ability to invest in carbon capture and storage (CCS) technologies.

The ethanol industry is a vital contributor to North Dakota's economy, providing jobs, supporting rural communities and enhancing energy security. Many ethanol producers in the state have taken proactive steps to lower their carbon intensity by investing in CCS projects. However, the tax proposed in HB 1573 would add unnecessary financial burdens on these projects, discouraging further investment and innovation in CCS infrastructure.

Carbon capture and storage is becoming essential for the ethanol industry to meet low-carbon fuel standards and access premium markets. The imposition of a pore space utilization tax would increase costs for ethanol producers, making it more difficult to compete in the marketplace. Additionally, this tax could deter future CCS infrastructure development, undermining North Dakota's position as a leader in carbon management and energy innovation.



Furthermore, the proposed allocation of tax revenues does not adequately consider the economic consequences of discouraging CCS projects. Imposing a tax on industries that are actively working to reduce emissions and enhance sustainability is counterproductive. A more balanced approach that incentivizes, rather than penalizes, carbon reduction efforts would better serve North Dakota's economic and environmental interests.

For these reasons, NDEPA respectfully urges the committee to urge a "Do Not Pass" on HB 1573. Maintaining a supportive policy environment for ethanol producers will ensure continued economic growth, job creation and continued leadership in sustainable energy solutions. Thank you for your time and consideration.

## Opposition to HB 1573

Thank you, Chairman Headland, and fellow Committee Members. My name is Jeffrey Skaare. I am the Director of Land for Summit Carbon Solutions (SCS). I am here today to ask for your opposition to HB 1573.

HB 1573 proposes a new tax of \$5/ton on all substances injected into ground for permanent storage. This proposed law would have significant negative impacts on North Dakota's energy industry, including carbon capture, enhance oil recovery (EOR), and saltwater injection.

**The proposed law contradicts established policy**

The legislature has worked for many years to create a legal, tax, and regulatory framework to lead the world in CO<sub>2</sub> development, including the definition of pore space, granting the ND Industrial Commission authority to regulate CO<sub>2</sub> injection and storage, establishing the fee structure at the ND Industrial Commission, the long-term accountability for CO<sub>2</sub> storage, establishing tax incentives for commercial deployment of carbon capture, storage and utilization, and funding for research and development. This bill intends to impose a specific and punitive tax contrary to the policies that were put in place through the wisdom of prior legislative action to promote the development of our important industries. The future of agriculture and energy – our two most important industries – depend on stable and predictable CO<sub>2</sub> policies.

### ***The proposed law is unclear***

As written the law states, “there is imposed upon a person that transports a substance for the purpose of injection and permanent underground storage of the substance in pore space located in the state a tax as provided in this section.” This language would include produced water (saltwater) that is generated from oil and gas, if the gathering system is longer than 25 miles. Saltwater injection locations

**Summit Carbon Solutions Testimony on House Bill 1573**  
**February 3, 2025, 10:00 A.M.**  
**House Finance and Tax Committee**  
**Representative Headland, Chairman**  
**Jeffrey Skaare – Director of Land Summit Carbon Solutions**

**Opposition to HB 1573**

1 typically measure by volume not weight. It is not clear whether this law would apply to enhance oil  
2 recovery projects using natural gas connected to large gathering systems. As written the tax is on all  
3 pipelines “in service after July 31, 2025.” While I suspect the drafters were trying to create an exception  
4 for existing pipelines in service prior to that date, the bill language is all inclusive and misleading. The  
5 bill seeks to create a new disaster fund without taking into consideration the currently existing  
6 protections under North Dakota law. The North Dakota Industrial Commission exercises its authority  
7 over injection wells and the North Dakota Public Service Commission exercises its authority over  
8 pipelines. In the case of Summit Carbon Solutions, both have instituted safeguards making the need for  
9 a disaster fund unnecessary.

**The proposed law is unconstitutional**

11 The North Dakota Supreme Court has held in the case D.D.I., Inc., v. State of North Dakota 2003  
12 ND 32 as follows:

13 “The Commerce Clause, U.S. Const. art. I, § 8, cl. 3, grants Congress the power “[t]o regulate  
14 commerce . . . among the several States.” Although the Commerce Clause is phrased as a grant of power  
15 to Congress, it has long been understood to have a “negative” or “dormant” aspect that denies states  
16 the power unjustifiably to discriminate against or burden the interstate flow of articles of commerce.” A  
17 Commerce Clause challenge to a state tax is subject to a four-part test. (1) the tax was applied to an  
18 activity with a substantial nexus with the taxing state, (2) the tax was fairly apportioned, (3) the tax did  
19 not discriminate against interstate commerce, and (4) the tax was fairly related to the services provided  
20 by the state.

**Summit Carbon Solutions Testimony on House Bill 1573**  
**February 3, 2025, 10:00 A.M.**  
**House Finance and Tax Committee**  
**Representative Headland, Chairman**  
**Jeffrey Skaare – Director of Land Summit Carbon Solutions**

**Opposition to HB 1573**

1           HB 1573, if enacted would be in violation of multiple parts of this four-part test. The proposed  
2   tax discriminates against interstate commerce by imposing a financial burden solely on CO<sub>2</sub> imported  
3   into North Dakota, thereby favoring in-state economic interests over out-of-state competitors. This  
4   creates an uneven playing field, discouraging external entities from engaging in CO<sub>2</sub> storage within the  
5   state due to increased costs. Such protectionist measures are precisely what the Dormant Commerce  
6   Clause aims to prevent, as they hinder the free flow of commerce among states.

7           HB 1573 lacks a legitimate local purpose under the Dormant Commerce Clause. For the state to  
8   justify this discriminatory tax, it must demonstrate a legitimate local purpose that cannot be achieved  
9   through less discriminatory means. However, there appears to be no substantial evidence suggesting  
10   that imported CO<sub>2</sub> poses unique risks or incurs additional costs that would necessitate such a tax. The  
11   distinction between in-state and out-of-state CO<sub>2</sub> seems arbitrary and primarily protectionist, lacking a  
12   sound basis in environmental or public policy considerations.

**CONCLUSION**

14           HB 1573 is unconstitutional legislation intended to punitively tax carbon capture storage and  
15   utilization projects effectively reversing decades of diligent and thoughtful policy development by this  
16   legislative body. It would impose approximately \$90 to \$100 million per year tax on Summit's project  
17   alone at a time when markets are demanding lower carbon fuels. If we choose not to participate in  
18   these markets, then we must accept the economic consequences of lower demand for our energy and  
19   agricultural products. It is for these reasons that we ask for your opposition to House bill number 1573.  
20   This concludes my testimony, and I will gladly answer any questions you may have. Thank you.



Testimony in Opposition of

**HB 1573**

**House Finance and Taxation Committee**

February 3, 2025

TESTIMONY OF

**Andrew Nygren, Division Director, Water Appropriation Division**

Chairman Headland, and members of the House Finance and Taxation Committee, I am Andrew Nygren, the Water Appropriation Division Director of the Department of Water Resources. I'm here today to provide testimony in opposition of House Bill 1573.

The primary concern the Department of Water Resources has with House Bill 1573 is the potential implications this new chapter may have on managed aquifer recharge projects. Managed aquifer recharge is a means of taking excess surface water and storing that water in an aquifer for future (or potential future) use.

The present wording of the bill potentially implies that should a water line transport water more than 25 miles and inject the water into an aquifer, the injected water may be taxed at a rate of \$5.00 per ton. There is approximately 240 gallons of water per ton. Therefore, the tax per acre-foot of recharged water is almost \$6,800.

Thank you for the opportunity to testify, and I'm happy to answer any questions.



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.

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1573  
2/12/2025

Relating to the imposition of a pore space utilization tax and creation of a North Dakota disaster fund; and to provide an effective date.

11:13 a.m. Chairman Headland opened the meeting.

Members Present: Chairman Headland, Vice Chair Hagert, Representatives Anderson, Dockter, Dressler, Foss, Grueneich, Ista, Motschenbacher, Nehring, Olson, Porter, Steiner, Toman

### Discussion Topics:

- Proposed amendment
- Enhanced oil recovery
- Federal funding

11:13 a.m. Representative Nehring proposed an amendment to change floor space utilization, to change "substance" to CO<sub>2</sub>, and to lower fees per ton, testimony #37390.

11:17 a.m. Recess

11:21 a.m. Chairman Headland reconvened the meeting.

11:22 a.m. Representative Nehring moved to adopt proposed amendment LC #25.0643.03001.

11:22 a.m. Representative Steiner seconded the motion.

Representatives	Vote
Representative Craig Headland	N
Representative Jared Hagert	N
Representative Dick Anderson	N
Representative Jason Dockter	N
Representative Ty Dressler	Y
Representative Jim Grueneich	N
Representative Mike Motschenbacher	N
Representative Dennis Nehring	Y
Representative Jeremy Olson	N
Representative Todd Porter	N
Representative Vicky Steiner	Y



Representative Nathan Toman	Y
Representative Austin Foss	Y
Representative Zachary Ista	N

11:28 a.m. Motion failed 5-9-0.

11:28 a.m. Representative J. Olson moved a Do Not Pass.

11:28 a.m. Representative Hagert seconded the motion.

<b>Representatives</b>	<b>Vote</b>
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Jason Dockter	Y
Representative Ty Dressler	Y
Representative Jim Grueneich	Y
Representative Mike Motschenbacher	Y
Representative Dennis Nehring	N
Representative Jeremy Olson	Y
Representative Todd Porter	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y
Representative Austin Foss	Y
Representative Zachary Ista	Y

11:29 a.m. Motion passed 13-1-0.

11:29 a.m. Representative J. Olson will carry the bill.

11:30 a.m. Chairman Headland adjourned the meeting.

*Janae Pinks, Committee Clerk*

**REPORT OF STANDING COMMITTEE**  
**HB 1573 ([25.0643.03000](#))**

**Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1573 was placed on the Eleventh order on the calendar.

25.0643.03001  
Title.

Prepared by the Legislative Council  
staff for Representative S. Olson  
February 7, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

## PROPOSED AMENDMENTS TO

### HOUSE BILL NO. 1573

Introduced by

Representatives S. Olson, Koppelman, Morton, Rios, Rohr, Hendrix

Senator Magrum

1 A BILL for an Act to create and enact chapter 57-66 of the North Dakota Century Code, relating  
2 to the imposition of a ~~pore space utilization~~ carbon dioxide storage tax and creation of a North  
3 Dakota disaster fund; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** Chapter 57-66 of the North Dakota Century Code is created and enacted as  
6 follows:

7 **57-66-01. ~~Pore space utilization~~Carbon dioxide storage tax - Imposition - Payment to**  
8 **the tax commissioner - Report.**

9 1. There is imposed upon a person that transports a ~~substance~~carbon dioxide for the  
10 purpose of injection and permanent underground storage of ~~the substance~~carbon  
11 dioxide in pore space located in the state a tax as provided in this section. The tax is  
12 equal to ~~five~~ <sup>DNE</sup> dollars per ton on all ~~substances~~carbon dioxide transported using a  
13 pipeline in service after July 31, 2025, ~~which has a length greater than twenty-five~~  
14 miles ~~[40.23 kilometers] from onloading site to offloading site~~ for the purpose of  
15 injection and permanent underground storage of the ~~substance~~carbon dioxide in pore  
16 space located in the state.

17 2. Within twenty-five days after the end of each month, the tax commissioner shall  
18 require a person subject to the tax under this chapter to:

19 a. Remit the tax owed under subsection 1 for the preceding month to the tax  
20 commissioner on reports and forms prescribed by the tax commissioner.

b. File a monthly report in the form specified by the tax commissioner, which must include:

- (1) The number of tons of ~~substances~~carbon dioxide transported during the preceding month using a pipeline in service after July 31, 2025, ~~which has a length greater than twenty-five miles [40.23 kilometers] from onloading site to offloading site~~ for the purpose of injection and permanent underground storage of ~~a-substances~~carbon dioxide in pore space located in the state;
- (2) The amount of tax remitted under subdivision a; and
- (3) Any other information deemed necessary by the tax commissioner for the proper administration of this chapter.

**57-66-02. When tax due - When delinquent.**

The tax under this chapter is due within twenty-five days after the end of each month, and if not received by the twenty-fifth day, becomes delinquent. The tax commissioner may impose late fees and, upon request, may grant an extension of time to pay the tax.

**57-66-03. Powers of tax commissioner.**

To effectuate this chapter, the tax commissioner may:

1. Require a person the tax commissioner reasonably believes to be subject to the tax under this chapter, and any agent or employee of the person, to furnish any information the tax commissioner deems necessary for the purpose of correctly computing the amount of the tax, including books, records, and files.
2. Conduct hearings and compel the attendance of witnesses and production of books, records, and papers of any person.
3. Make any investigation or hold any inquest deemed necessary to a full and complete disclosure of the true facts as to the amount of ~~substances~~carbon dioxide subject to the tax.
4. Compute tax on incorrect or omitted returns.
5. Provide for refunds necessary due to a mistake or overpayment of the tax.
6. Develop policies and prescribe, design, and make available all forms deemed necessary for the proper administration of this chapter.



**57-66-04. Allocation of revenue.**

The moneys collected and received under this chapter must be paid into the state treasury and must be credited by the state treasurer as follows:

1. The first five hundred million dollars in revenue from the tax must be credited to the North Dakota disaster fund as provided in section 57-66-05.
2. The remaining moneys collected and received under this chapter must be paid into the state treasury and must be credited by the state treasurer to the general fund.

**57-66-05. North Dakota disaster fund.**

The North Dakota disaster fund is a special fund in the state treasury. The fund consists of all moneys allocated to the fund under section 57-66-04. Subject to legislative appropriation, moneys in the fund:

1. May be used only for expenses:
  - a. To mitigate damages arising from transporting ~~a substance~~carbon dioxide using a pipeline in service after July 31, 2025, ~~which has a length greater than twenty-five miles [40.23 kilometers] from onloading site to offloading site~~ for the purpose of injection and permanent underground storage of ~~a substance~~carbon dioxide in pore space located in the state;
  - b. To purchase specialized equipment that may be used to respond to hazards which is not provided by any other party pursuant to the rules and regulations of the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration or other state or federal laws or regulations;
  - c. For necessary training related to pipeline hazards which is not provided by any other party pursuant to the rules and regulations of the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration or other state or federal laws or regulations; or
  - d. Associated with a declaration of a state of disaster or emergency declared by the governor in accordance with section 37-17.1-05.
2. May not be used for expenses covered by insurance or other federal or private sources.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events occurring after June 30, 2025.