



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1131 (Substitute S-1 as reported)
Senate Bills 1132 and 1133 (as reported without amendment)
Sponsor: Senator Sean McCann (S.B. 1131)
Senator Joseph Bellino Jr. (S.B. 1132)
Senator John Cherry (S.B. 1133)
Committee: Energy and Environment

CONTENT

The bills would establish a regulatory framework and permitting process for carbon sequestration in the State. To operate a carbon sequestration project, a person would have to apply to the Department of Environment, Great Lakes, and Energy (EGLE) for a permit and provide notice of the proposed project to all surface owners of land overlying the portion of the storage reservoir underlying the area covered by the proposed project. The bills prescribe duties of EGLE's Oil, Gas, and Minerals Division in the regulation of carbon sequestration projects. Application fees, annual carbon sequestration fees, and fines for regulatory violations would have to be deposited in the Carbon Sequestration Fund created by the bills. The bills would prescribe how EGLE could sell carbon offset credits if certain criteria were met. The bills also would provide for pooling of interests in pore space used for carbon sequestration.

BRIEF RATIONALE

According to testimony, there is currently a lot of demand for carbon capture, a service that removes carbon from the environment and injects it into deep geological repositories. Carbon capture services could help the State reach its 100% clean energy standard by 2040. This is a complicated, multi-step process, and the State lacks a regulatory framework for private sector development of carbon capture facilities. Some have argued that the State should have management power over carbon sequestration instead of ceding this power to the EPA, ensuring rights and compensation for landowners. Accordingly, enacting a regulatory framework has been suggested.

MCL 324.1301 (S.B. 1131)
483.1 (S.B. 1132)

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

Senate Bill 1131 (S-1)

This bill would have an indeterminate but limited fiscal impact on EGLE. Permit application fees could not exceed actual reasonable costs of processing applications and would be used to offset those administrative costs. Additional annual fees would be assessed against carbon sequestration project operators; these fees would need to be based on the department's anticipated expenses associated with long-term monitoring of the project, though not to exceed 8 cents per ton of CO₂. These fees would be collected and deposited into the newly created Carbon Sequestration Fund. There would be additional administrative costs associated with holding and issuing notices for public hearings that would be held within 60 days of completed application. Further time and labor costs would be associated with processing

application fees for a certificate of project completion, and when such a certificate was issued, the State would assume responsibilities related to the carbon sequestration project and carbon dioxide injected into the storage reservoir. Generally, the fees outlined within the bill are not explicitly defined but rather dependent on the cost incurred by the EGLE to process them.

The bill would permit the Department of Natural Resources (DNR) to enter carbon sequestration contracts and sell carbon offset credits that it owned, thus resulting in a positive fiscal impact for the DNR. This practice, previously allowed for coal, oil, gas, and other mineral products from State lands, would be expanded under the bill to include carbon capture projects. Instructions for the allocation of funds received by the DNR from carbon sequestration-related projects on State-owned land are provided in the bill. This would include bonuses, rentals, delayed rentals, and royalties collected under its provisions. Funds sourced from contracts on land managed by the Forest Resources Division of the DNR would be deposited into the Forest Development Fund; funds sourced from land managed by the Wildlife or Fisheries Divisions would be deposited into the Game and Fish Protection Account. For other State land, proceeds would go toward the fund with which the land was purchased. Revenue generated under the bill on tax-reverted land would be split equally between the Forest Development Trust Account and the Game and Fish Protection Trust Fund. The bill could have a positive fiscal impact on the State and local government. Revenue from new misdemeanor and civil fines under the bill would go to local libraries. Additionally, \$10 of each civil fine would be deposited into the State Justice System Fund, which supports justice-related activities across State government in the Departments of Corrections, Health and Human Services, State Police, and Treasury. The Fund also supports justice-related issues in the Legislative Retirement System and the Judiciary. The amount of revenue to the State or for local libraries is indeterminate and dependent on the actual number of violations.

Some increased litigation expenses for the Department of Attorney General are possible under the bill, as it includes language that would allow the Attorney General to commence civil actions in Circuit Court for violations of Part 13 of the (Natural Resources and Environmental Protection) Act, the permit, issued orders, or state promulgated rule. It is probable the Department of Attorney General will be able to absorb these expenses. Additional FTEs and/or attorneys may be required with more litigation costs.

Any impact on circuit courts would depend on the volume of violations prosecuted.

Senate Bill 1132

There is no anticipated fiscal impact to state or local governments.

Senate Bill 1133

The bill would have no fiscal impact on State or local government.

Date Completed: 12-17-24

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.