FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES

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Rule Title: Statewide Order No. 29-M-5
LAC 43:XVII. Ch. 37 Class V Storage Wells in Solution-Mined Salt Dome Cavities

Date Rule Takes Effect: Upon Promulgation

SUMMARY
(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule will result in an increase in costs to the Louisiana Department of Natural Resources (LDNR). The proposed rule expands the existing solution-mined salt cavern storage program from the current limited scope of hydrocarbon storage only and adds oversight for the storage of certain non-hydrocarbon gasses and liquids. The proposed rule regulates Class V solution-mined salt cavern storage wells from inception to plugging and abandonment and site closure, ensuring the health, safety, and welfare of the public and the environment. This program will gradationally grow between FY 23 and FY 24, but is expected to be fully operational by the end of FY 24. Expected costs to the state total $165,000 in FY 23 and $326,000 in FY 24. After FY 24, the program costs will grow at a slower rate, which will be dependent on salary adjustments and inflation on purchased goods for the program.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule will result in an increase in revenue for the Department of Natural Resources. Revenue collections will begin in FY 23 and increase each year thereafter. Revenue sources for the program include both fees levied upon the applicant/operator as well as additional federal grant funding. Projected revenue for this program is expected to be $35,500 in FY 23 and grow to $80,000 in FY 24. The agency will fund this program with a combination of this collected revenue and from other injection well fees deposited in the Oil and Gas Regulatory Fund; no additional General Fund dollars will be needed.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NON-GOVERNMENTAL GROUPS (Summary)

Both individuals and non-governmental groups are predicted to incur positive economic benefits from this program. These projects will require leasing or purchase of the salt minerals that will be mined in order to store these non-hydrocarbon gasses. Additionally, the storage of hydrogen, helium, ammonia, and compressed air can be utilized to implement renewable or low-carbon energy projects, and hydrogen storage in particular will be used in conjunction with carbon sequestration for blue hydrogen projects in the state.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

Construction of these new storage facilities is predicted to positively impact the industrial construction sector as well as the downstream energy sector. It is likely that the availability of construction and energy/technical jobs will increase in order to build or retrofit the energy facilities and the injection sites, but quantifiable predictions are not available at this time.

Richard P. Ieyoub

Signature of Agency Head or Designee

Richard P. Ieyoub, Commissioner of Conservation

Typed Name & Title of Agency Head or Designee

June 7, 2022

Date of Signature

Evan Brasseaux, Interim Deputy Fiscal Officer

Legislative Fiscal Officer or Designee

6/8/22

Date of Signature

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The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

The proposed rule is for the adoption of the Class V Storage Wells in Solution-Mined Salt Dome Cavities This rule expands the existing salt cavern storage program from the current limited scope of hydrocarbon storage only (LAC 43:XVII Chapter 3) and adds oversight for the storage of certain non-hydrocarbon gasses and liquids as defined in this proposed rule. The proposed rule regulates Class V storage wells from inception to plugging and abandonment and site closure, ensuring the health, safety, and welfare of the public and the environment.

B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

In the Louisiana Regular Session of 2021, House Bill 572 (Act 326) was passed in support of the use of a solution-mined salt dome cavity for the storage of hydrogen, nitrogen, ammonia, compressed air, or noble gasses not otherwise prohibited by law. This enabling legislation was then incorporated into La R.S. 30:23, and in accordance with this statute the Commissioner of Conservation is now issuing these rules as ordered in La R.S. 30:23.C

C. Compliance with Act 11 of the 1986 First Extraordinary Session

(1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

The proposed rule change will result in an expenditure increase. Expected costs to the state total $165,000 in FY 23 and $326,000 in FY 24. After FY 24, the program costs will grow at a slower rate, which will be dependent on salary adjustments and inflation on purchased goods for the program. The sources of funding include the Louisiana Oil and Gas Regulatory Fund and Federal Funds.

(2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) _______ Yes. If yes, attach documentation.

(b) ___x___ NO. If no, provide justification as to why this rule change should be published at this time

The funds for this expenditure increase will come from the statutory dedicated funds collected via fees into the Louisiana Oil and Gas Regulatory Fund; no additional General Fund appropriations are necessary.

FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

COSTS	FY 23	FY 24	FY 25
Personal Services	$ 150,000	$ 300,000	$ 315,000
Operating Expenses	$ 5,000	$ 10,000	$ 10,000
Professional Services	$ 0	$ 0	$ 0
Other Charges	$ 10,000	$ 16,000	$ 17,000
Equipment	$ 0	$ 0	$ 0
Major Repairs & Constr.	$ 0	$ 0	$ 0
TOTAL	$ 165,000	$ 326,000	$ 342,000
POSITIONS (#)	1	2	2

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

The Personal Services category contains personnel costs, including salaries and related benefits to support the hiring of two non-supervisory technical staff (Petroleum Scientist 1-3). One staff will be hired in FY 23 and the other in FY 24.

The Operating Expenses category includes staff training and conference participation, advertising (required for permit applications), equipment maintenance, equipment rentals, and office supplies. The bulk of the Operating Expenses category is for training and conference participation. Staff training is critical for this program to succeed, and LDNR currently lacks expertise to train staff in-house. Conference participation is important because the field of hydrogen storage in particular is emerging globally, and the science and engineering behind these processes (which LDNR staff will be reviewing during the permit review process) is evolving.

Other Charges in FY 23, prior to receiving primacy, include approximately $6,000 to publish the Class V regulations in the *Louisiana Register*. In FY 24 and FY 25, this category will include charges for all interagency purchases, including IT services and computer purchasing, telecommunications, and *Louisiana Register* charges for modest updates to the Class V state regulations if needed. This category also includes the Indirect Cost Rate charges associated with receiving funds via an existing federal grant (approximately $4,000 in FY 23; $8,000 in FY 24, and $9,000 in FY 25).

3. Sources of funding for implementing the proposed rule or rule change.

SOURCE	FY 23	FY 24	FY 25
State General Fund	$ 0	$ 0	$ 0
Agency Self-Generated	$ 0	$ 0	$ 0
Dedicated	$ 135,000	$ 271,000	$ 287,000
Federal Funds	$ 30,000	$ 55,000	$ 55,000
Other (Specify)	$ 0	$ 0	$ 0
TOTAL	$ 165,000	$ 326,000	$ 342,000

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

The agency does have sufficient funds. The new program will be partially covered by federal grants, and partially covered by increased revenue into the dedicated Oil and Gas Regulatory fund.

The federal funds source includes an existing grant from the US Environmental Protection Agency (USEPA). This grant is predicted to cover approximately 15% of salary and related benefits cost, and fully cover the other non-personnel costs associated with the program. The grant requires a 75%/25% split, such that the federal portion covers 75% of expenditures with a mandated 25% state match.

The dedicated funds source will be funded primarily through fee collections into the Oil and Gas Regulatory Fund. Fees associated with the new program will be collected in the form of application fees and annual compliance fees. However, the majority of the fees collected to support this program are sourced from increased revenue due to automating and enhancing the fee collection process for all injection wells in FY 22. This improved fee collection process is projected to bring approximately $200,000 in additional revenue beyond that which was projected for FY 22. Because this fee collection mechanism is a permanent efficiency improvement, the Injection and Mining Division proposes to use this in addition to the application and compliance revenue for these types of wells, which together should produce enough revenue to fully fund the new Class V Hydrogen and Other Gasses program.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

   The new proposed rule is not anticipated to impact local governmental units.

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

   No local government funding sources are anticipated to be affected by the new proposed rule.

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

REVENUE INCREASE/DECREASE	FY 23	FY 24	FY 25
State General Fund	$ 0	$ 0	$ 0
Agency Self-Generated	$ 0	$ 0	$ 0
Dedicated Funds *Oil and Gas Regulatory Fund*	$ 5,500	$ 25,000	$ 35,000
Federal Funds	$ 30,000	$ 55,000	$ 55,000
Local Funds	$ 0	$ 0	$ 0
TOTAL	$ 35,500	$ 80,000	$ 90,000

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

Two revenue categories in the above table will realize increased revenue, and no categories will realize decreased revenue.

Within the Dedicated Funds (Oil and Gas Regulatory Fund; "the O&G Fund"), additional fees will be collected for the implementation and enforcement of this program. Initial fees include an application fee of $252 per well and a public hearing fee of $755 at the end of the permit review process, as well as the Operator Registration fee for each applicant (three projected applicants). Louisiana Injection and Mining is projecting that applications for at least five wells will be received in FY 23. Because the annual compliance fee is only charged after the well is drilled, the only additional revenue in FY 23 into the O&G Fund will be from application and hearing fees. Beginning in FY 24, compliance fees, witnessed MIT fees, work permit fees, and other applicable fees listed in Statewide Order No. 29-R may be applied for the wells.

Within the Federal Funds category, additional funds are expected to be awarded from the USEPA through the expansion of an existing grant.

Lastly, the LDNR is exploring alternative additional federal funding mechanisms that may available as part of low carbon fuel funding available to states. Guidance for this funding has not yet been released so LDNR has not included it in the scope of this document.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NONGOVERNMENTAL GROUPS

A. What persons, small businesses, or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

Operators of companies implementing low-carbon energy technologies will use caverns to store non-hydrocarbon gasses, giving these companies additional midstream and downstream flexibilities. Because the energy sector in Louisiana is both large and complex, it's difficult to quantify economic benefits to these companies, but this needed storage capability will be one of many contributions to the new energy wave, supporting carbon-negative and carbon-neutral fuel source creation. Companies are retrofitting their existing facilities or building new facilities to support this new energy course in Louisiana.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

Because the energy sector is changing at a rapid pace in Louisiana to support low-emission fuel sources, it is difficult to quantify impact on receipts or income, other than stating that positive economic impacts are predicted.

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

Construction of these new storage facilities is predicted to positively impact the industrial construction sector as well as the downstream energy sector. It is likely that the availability of construction and energy/technical jobs will increase in order to build or retrofit the energy facilities and the injection sites, but quantifiable predictions are not available at this time.