



Clean Coal
Technology
Foundation
of
Texas

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FOUNDATION SALUTES LEGISLATIVE VICTORIES AS 81ST SESSION DRAWS TO A CLOSE

AUSTIN, Texas (June 2, 2009) — The Clean Coal Technology Foundation of Texas is proud to announce sweeping legislation designed to ensure that the state remains a leader in next-generation clean coal technology.

"You can't talk about the future of energy without talking about coal," said Rep. Rick Hardcastle, whose legislation last session (HB 3732) set the standard for clean coal incentives. "That is why it is imperative that we find the cleanest possible way to use it."

Momentum behind clean coal technology incentives carried forward into the 2009 legislative session with the filing of several clean coal incentive bills by key members of the House and Senate. The end result was the passage of a series of measures that combined the various bills to establish the most comprehensive incentive package for clean coal projects in the nation.

One of the key bills to pass was HB 469, thanks to the hard work of its authors, Representative Phil King and Senator Kel Seliger, as well as the support and collaboration of Senator Kip Averitt and Representatives Rick Hardcastle and Burt Solomons. Senator Averitt, who chairs the Senate Natural Resources Committee, played a key role in moving the House Bill through his Committee in the Senate, where the Senate companion (SB 483) had stalled in the Senate Finance Committee. Key elements of Chairman Averitt's and Representative Hardcastle's SB 2111 were included in HB 469 late in the session when it fell victim to a House calendar back-up resulting from battles over other legislation.

The combination of HB 469 and key elements of SB 2111 establishes a two-tiered incentive package for clean coal projects in Texas. Projects that capture at least 50% of their carbon dioxide emissions are eligible for sales tax exemptions for the equipment that captures, transports, and stores their CO₂, as well as more freedom for local taxing authorities to defer taxes in the early years of a project's development. The first three projects that can achieve a 70% carbon capture rate will qualify for an additional bonus - a \$100 million (per project) franchise tax credit.

Amendments to HB 469 endorsed by the Foundation condition all of these incentives on a project's ability to meet stringent air emission standards for nitrogen oxides, sulfur dioxide, particulate matter, and mercury. These standards set the environmental standards bar higher for incentives than any other state or national incentive program.

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Another key incentive in HB 469 provides a 75%, 30-year severance tax exemption for oil recovered using CO₂ captured from a man-made emission source. The financial benefits of this incentive will play a key role in attracting the first carbon capture projects to Texas, where there are significant opportunities for enhanced oil recovery using CO₂ – an established practice in Texas for over 35 years.

The clean coal success story of the 81st legislative session does not end with HB 469. Several other bills passed that will play a direct role in attracting these cutting edge facilities to the state. Key among them is HB 1796, which passed due to the hard work of Representative Warren Chisum and Senators Kirk Watson and Kip Averitt. This legislation sets in motion an offshore carbon repository program that will ensure Texas becomes a leader in the capture and sequestration of CO₂.

“Texas produces more carbon dioxide than any other state, but it also has the greatest potential to sequester carbon underground. Our bill could eventually lead to a multi-billion dollar carbon sequestration industry in Texas,” said Rep. Chisum.

A key element of Senator Averitt's omnibus clean air legislation, SB 16, was included in HB 1796 to establish a grant program for new emission-reducing technology, including clean coal technology and carbon capture and sequestration projects. The funding for this grant program was included in the TCEQ budget in the general appropriations act (SB 1).

Other Key Clean Coal-benefiting Legislation from the 2009 Legislative Session at a glance:

HB 3676 (Rep. Joe Heflin/Sen. Kel Seliger)

Extends the Texas Economic Development Act until December 31, 2014, enabling local school districts more tax freedom to attract major projects, some worth several billion dollars, to their areas (Chapter 313 of the Tax Code)

HB 3896 (Rep. Rene Oliveira/Sen. Kel Seliger)

Extends the authority of cities, counties, and other taxing jurisdictions and gives them more freedom to attract major economic developments, including major energy projects. Without this legislation, this authority would have expired in September 2009. The bill extends the authority for 10 years (Chapter 312 of the Tax Code)

SB 1387 (Sen. Kel Seliger/Rep. Myra Crownover)

Clarifies the short-term jurisdictional responsibilities of the Railroad Commission and TCEQ regarding enhanced oil recovery operations involving man-made CO₂ and sets in motion an interim study process for the two agencies to develop a proposed long-term regulatory framework for CO₂ storage activities

About CCTFT. The Clean Coal Technology Foundation of Texas was founded in January 2004, as a non-profit entity to promote the use and development of clean carbon technologies that will result in reliable, low-cost, and environmentally-responsible energy for Texas.
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