

SUBJECT: Amending grant eligibility for certain advanced clean energy projects

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 7 ayes — Goldman, Morales, Anderson, Bailes, Darby, Gerdes, Guerra
0 nays
4 absent — Anchía, Craddick, Thierry, Zwiener

WITNESSES: For — Eleanor Kim, Occidental Petroleum Corporation; Jeremy Mazur, Texas 2036 (*Registered, but did not testify*: Randy Cain, Advanced Power Alliance; Suzi McClellan, AES Corporation; Mark Stover, Apex Clean Energy; Buddy Garcia, ARX Energy; Mark Bell, Association of electric companies of Texas; John Colyandro, Carbon Neutral Coalition; Scott Hutchinson, Entergy Texas; Jimmy Carlile, Fasken oil and ranch, ltd; Kaitlyn Murphy, Greater Houston Partnership; Kelly Mcbeth, Howard Energy Partners; Jake Posey, Nacero, Inc.; Reed Clay, Next Decade; Jennifer Rodriguez, North Texas Commission; Brian Yarbrough, Port of Corpus Christi Authority; Chris Shields, Tenaska; Rebecca Grande, Texas Association of Business; Craig Chick, Texas Hydrogen Alliance; Ryan Paylor, Texas Independent Producers & Royalty Owners Association; Thure Cannon, Texas Pipeline Association; Marie Camino, The Nature Conservancy Texas Chapter; Matthew Posey, Tx Aggregate & Concrete Assn.; Carl Jacob; Kathryn Kizer)

Against — Cyrus Reed, Lone Star Chapter Sierra Club; Adrian Shelley, Public Citizen (*Registered, but did not testify*: Tsion Amare, Environmental Defense Fund; Dara R)

On — Virginia Palacios, Commission Shift (*Registered, but did not testify*: Colore Lincoln)

BACKGROUND: Health and Safety Code sec. 382.003 defines the requirements for a project to be considered an “advanced clean energy project,” including the required emission reductions a project must achieve to qualify.

Tax Code Sec 151.334 exempts tangible personal property used in connection to certain advanced clean energy projects from certain sales, excise, and use taxes.

Health and Safety Code sec. 391.002(b) establishes the projects eligible for an award under the new technology implementation grant program meant to assist the implementation of new technologies that reduce emissions.

Some have suggested making projects that utilize carbon capture and air capture technologies eligible for funding under the Texas emissions reduction plan could benefit Texas economically and environmentally.

DIGEST:

CSHB 1158 would amend Health and Safety Code provisions establishing the eligible natural gas emission rate of an advanced clean energy project designed for the use of one or more combustion turbines to include an annual emission rate that met best available technology requirements as determined by the commission as an alternative to the current rate of two parts per million by volume.

CSHB 1158 would increase the required percentage of carbon dioxide captured by an advanced clean energy project from 50 to 75 percent.

The bill also would amend sec. 391.002(b) to add to the list of projects eligible for a grant any projects that utilized technology to capture, use, reuse, store, gather, transport, or sequester carbon dioxide emissions from certain facilities for the purpose of preventing carbon dioxide from entering the atmosphere. CSHB 1158 also would add projects that involve the use of renewable energy to produce hydrogen fuel for use in certain industries and result in a reduction of pollutants entering the atmosphere.

CSHB 1158 would include within real property exempt from taxes imposed by Tax Code sec. 151.334 any components purchased or installed by a carbon capture facility if components were installed to capture the carbon dioxide from the atmosphere or from an anthropogenic emission source. The bill would make conforming language changes to reflect this

addition.

The bill would remove current requirements regarding carbon sequestration, instead providing a tax exemption to any components used in connection with the capture, use, reuse, storage, injection, or sequestration of carbon dioxide emissions.

The bill would update language referencing lapsed expiration dates for the submission of application for a permit.

Changes in the Tax Code would not affect tax liability occurring before the effective date.

The bill would take effect September 1, 2023.