FISCAL NOTE

The fiscal impact is indeterminable.

Crude oil and natural gas produced by means of enhanced oil and gas recovery, as defined in the bill, would be exempt from 3 percent of the total 6 percent severance tax. This exemption would be available to taxpayers for all qualifying oil and gas production by means of enhanced oil and gas recovery that is completed before July 1, 2032. To qualify for the exemption, the crude oil and natural gas shall be produced by means of enhanced oil and gas recovery from projects using carbon capture, utilization and storage (CCUS) technology. The carbon dioxide used in the enhanced oil and gas recovery to produce crude oil and natural gas shall be from a carbon dioxide source originating within Wyoming.

The fiscal impact, in the form or decreased severance tax revenues from the proposed exemption is indeterminable, as the Department of Revenue, the Oil and Gas Conservation Commission (OGCC), the Wyoming Geological Survey (WGS) and the Enhanced Oil Recovery Institute (EORI) cannot estimate the production years or the oil and gas production volumes that may qualify for this proposed exemption. The potential revenue increase in severance taxes and ad valorem taxes that would be collected on increased production resulting from the proposed exemption is also indeterminable at this time.

According to the EORI, it is very difficult to estimate potential future carbon capture volumes at this time, and it is too early to reasonable estimate volumes for specific projects that are yet to be confirmed. Current information indicates that any carbon capture project that would qualify for the proposed incentive would begin five years in the future at minimum.

According to the OGCC, the revenue impact of the proposed severance tax exemption cannot be determined because the qualifying production cannot be estimated without identification of the specific project(s). The WOGCC believes this bill could spur additional development of enhanced oil recovery projects, but the projects are too variable in size to estimate the volume of increased production.

According to the Wyoming Geological Survey (WGS), passage of this bill will require estimates and forecasts of oil and gas production related to carbon sequestration for the October and January Consensus Revenue Estimating Group forecasts. This bill will require WGS geologists to research the number of wells affected by CCUS, determine production volumes from carbon dioxide injection and identify planned future carbon dioxide projects and the life of those projects. When qualifying projects begin production, the WGS will need an additional position to address this increased workload. The Governor’s recommended budget for the WGS for the 2025-26 biennium includes two additional positions. The WGS anticipates it will have sufficient staffing resources to address this increased workload if provided with these additional positions.

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