

Background on Storage of Carbon Dioxide

In 2022 Congress passed a climate bill. It was called the Inflation Reduction Act. That law gave large tax credits and tax benefits for capturing carbon dioxide and then "storing" carbon dioxide in deep underground rock formations. CO₂ is considered to be what is known as a "greenhouse gas" having an adverse effect on the climate. That 2022 federal law is the impetus for several companies to start CO₂ capture and storage projects here in Alabama. The geology in many parts of Alabama is considered to be appropriate for the underground storage of CO₂. The "storage" of carbon dioxide is a potential new industry for our State.

By the way, underground injection of CO₂ has been used for many years for enhanced recovery of oil and there had been earlier tax benefits enacted to encourage CO₂ for that purpose.

The 2022 federal legislation gives the tax benefits for permanent perpetual storage of CO₂. The Alabama Oil and Gas Board is involved because the Alabama legislature gave jurisdiction to the Board over this industry and operation. The Alabama rock formations proposed to be used for the injection (pumping) of CO₂ are deep formations 5,000 to 10,000 feet below the surface.

The proposals are to capture the CO₂ at industrial sites such as coal-fired power plants and then to transport the CO₂ by pipeline to injection sites.

Senate Bill 230 includes a number of provisions. Part of the bill deals with closure of the storage facility site at the end of the operation. Part of the bill deals with the fees to be paid to the State and to the Alabama Oil and Gas Board for administering the projects. The

Board and staff are neutral and take no position on the question of the ownership of the “pore space” and storage rights for CO 2.

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