

IOGCC Carbon Storage Task Force Operational and Post-Operational Liability

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Council of State Oil & Gas Attorneys
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The International Center for Applied Energy Technology®

Background

- IOGCC Carbon Capture and Geologic Storage Task Force
 - Created in 2002
 - In 2005, Phase I produced a report titled, “Carbon Capture and Storage: A Regulatory Framework for States.”
 - In 2008, Phase II produced a model statute and model rules and regulations for geologic storage of CO₂ .
 - In 2010, Phase II produced a review of the legal and regulatory environment for CO₂ storage and also updated the model statute and model rules and regulations.

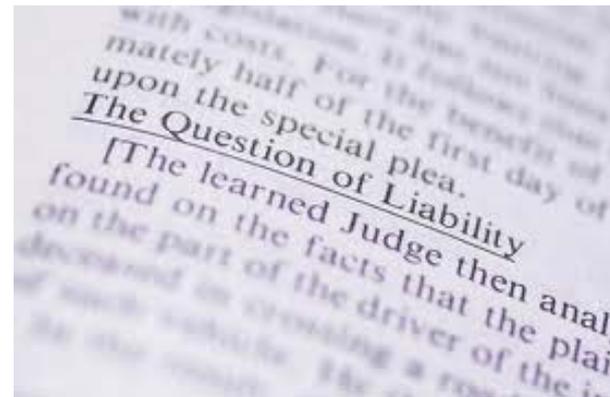
Geologic Task Force Phase III

- Sponsored by DOE/NETL through the Plains CO₂ Reduction (PCOR) Partnership
- Focus on the issues of operational and post-operational liability, as they pertain to deep saline storage, not EOR-related storage.
- Subgroups will focus on the two issues and report back to the Task Force.



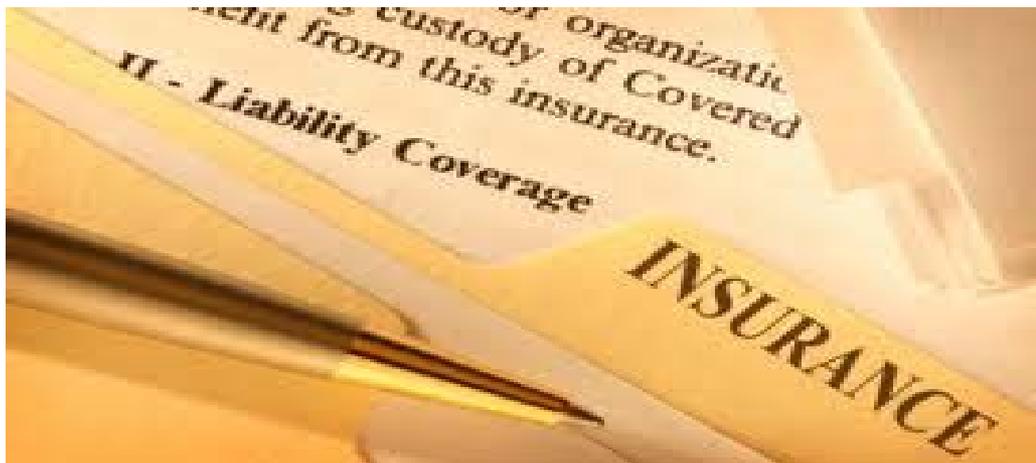
Operational Liability

- Operational Liability
 - Phase II work recommended an operational bond.
 - Phase III will provide guidance as to the amount of financial assurance that will be necessary and the types of instruments or mechanisms that will be acceptable in order to satisfy that obligation.
 - The subgroup is comprised of state/provincial regulators, insurance experts, and members of industry.



Post-Operational Liability

- Post-Operational Liability
 - Phase II recommended a fee or assessment funded trust fund administered by individual states and provinces.
 - Phase III will address remaining regulatory uncertainties related to post-operational liability functions.
 - The subgroup is comprised of state/provincial regulators, insurance, and financial experts.



Post-Operational Liability

- Phase III will at a minimum:
 - Define how a state-administered trust fund would work.
 - Identify the risks that might be covered by the trust fund.
 - Address how risks not covered by the trust fund might otherwise be covered through private insurance or other financial mechanisms.
 - Develop an economic valuation framework to aid states and provinces in calculating the necessary trust fund balance.
 - Design options for a fee-based structure e.g., assessing a per-ton fee to adequately endow the fund.

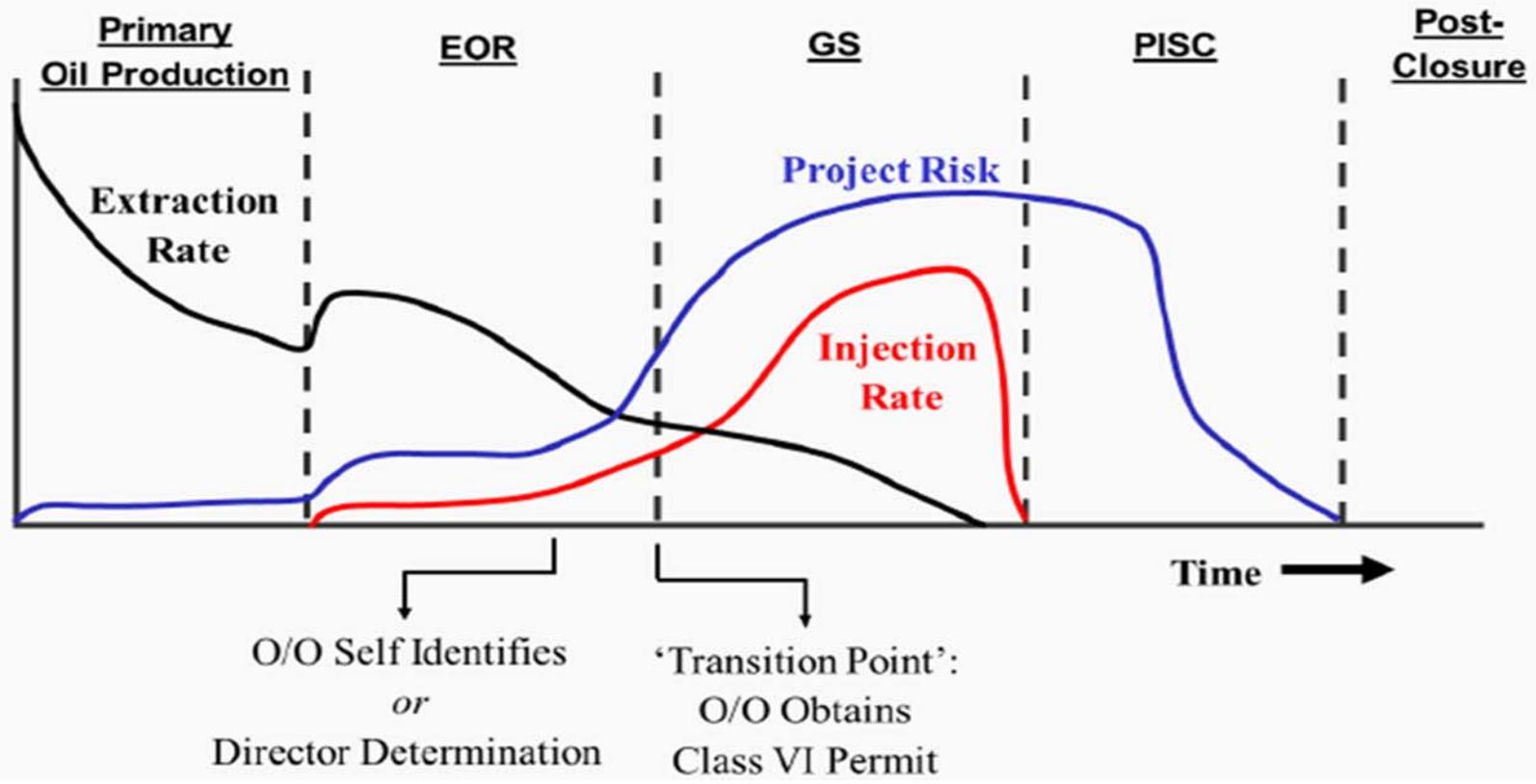
Other Factors for Consideration

- The primary focus of this effort is to provide guidance on operational and post-operational liability issues related to storage in non-hydrocarbon reservoirs.
- Before finalizing its report the Task Force/Subgroups will contemplate limitations that become apparent when EOR projects transition to storage and will consider modifying the report if appropriate.



Slide #21 In an EPA Presentation* given February 8th 2012

Class II-VI Transition: Risk Profile



* Carbon Management Technology Conference Orlando Florida: "REGULATORY PATHWAYS FOR ENHANCED RECOVERY: The EPA Class VI GS" Rule
http://www.spe.org/events/cmtc/2012/pages/schedule/tech%20program/documents/17_Kobelski.pdf

Timeline

- Task Force Kick-off Meeting held the beginning of October.
- First subgroup meetings to be conducted in early November.
- Subgroup findings and recommendations to be presented to the Task Force by June 30, 2013.
- Task Force Final Report completed by September 30, 2013.



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