State of
North Dakota
Office of the Governor

John Hoeven
Governor

Statement of Governor John Hoeven
State of North Dakota

Before the
Committee on Environment and Public Works
United States Senate
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Chairman Boxer, Ranking Member Sen. Inhofe and Committee Members: Thank you for the opportunity today to testify before you on the critical issue of energy policy and its effect on North Dakota's economy.

Our nation is facing the worst economic downturn in decades, and while North Dakota retains a budget surplus, we are not immune to its effects. North Dakota's continued economic health and the recovery of the nation's economy depends on a strong, balanced, and comprehensive energy policy, because energy not only drives North Dakota's economy, it drives our national economy. For that reason, it is extremely important we seriously consider the effects that the Waxman-Markey legislation would have on our nation, in a global, competitive economy.

As a nation, we must continue to develop all of our energy resources, and we must also do so with good environmental stewardship, but the Waxman-Markey legislation is not the way to do it:

- The technology to reduce emissions from coal plants is still in the developmental stage. While there are projects underway to capture carbon, commercially deployable technology on a nation-wide scale is still years away. Instead of penalizing companies, we need to foster the research needed to find more efficient ways to create, transport and store energy.

- The reality is, this legislation actually penalizes, rather than rewards, the technological advances that are being made by companies like Basin Electric Power Cooperative and Dakota Gasification Company in North Dakota. These companies have taken preemptive action to reduce their emissions, but these efforts will not be considered in the allowance allocation formula. This penalty also applies to other utility companies in North Dakota that have taken the initiative to invest in renewable resources.

- The legislation will potentially increase greenhouse gases when industries overseas increase production because companies here cannot compete due to the increased costs.

- This bill will force companies that want to capture and sequester CO2 to "pay twice"—once, when they pay the carbon tax, and then again, when they pay for the technology to capture and sequester the CO2.

Instead of Waxman-Markey, or similar legislation, Congress needs to implement a comprehensive energy policy that will incentivize industry to develop all of our energy resources—both traditional sources and renewable sources—in an environmentally sound manner. The current uncertainty from Congress's failure to do so is freezing investment of new technologies on the sidelines – technologies that will help our country produce more domestic energy in environmentally sound, cost-effective ways.

Let me give you some examples from our experience in North Dakota. We've implemented EmpowerND, a comprehensive energy policy designed to spur development of all our energy resources with new technologies, synergistic partnerships, and sound environmental stewardship. This is transforming how energy is developed throughout North Dakota.

Efficiency and innovation play a large role in our energy development efforts. For example, at the Blue Flint Ethanol facility in western North Dakota, waste heat from an adjacent coal plant is recycled to produce 50 million gallons of ethanol per year, resulting in one of the most energy efficient, environmentally friendly facilities in the industry. Another example, Tharaldson Ethanol in Casselton located in eastern North Dakota is recycling waste water from the City of Fargo to produce 120 million gallons of ethanol per year.

Also, new technological advances have changed the way oil is drilled in North Dakota. Recently, North Dakota passed the state of Oklahoma in oil production, and we are now the fifth largest oil producing state in the nation. With horizontal drilling techniques, we can now tap as much oil with one well as traditional drilling techniques produced with ten. We're also implementing tertiary recovery using advances in carbon capture and sequestration. Both methods in oil recovery allow us to access new formations and produce more oil while leaving a smaller environmental footprint.

We're also making tremendous progress in the implementation of clean-coal technologies. In fact, North Dakota is home to the largest carbon sequestration project in the world. This project, operated by Dakota Gasification Company (DGC), converts lignite coal into synthetic natural gas and delivers that natural gas to market via pipeline. In the process, the plant also captures and sequesters about 3 million tons of CO2 per year. As of Dec. 31, 2008, DGC has captured more than 16 million tons of CO2, and that CO2 is piped to the oilfields where it is used for tertiary oil recovery.

In addition, Basin Electric Power Cooperative's Antelope Valley Station, a coal-based power plant, is participating in another large-scale CO2 capture and sequestration demonstration project in cooperation with the state of North Dakota and the Department of Energy (DOE). This project was recently approved for $100 million from the DOE, and is part of PCOR (the Plains CO2 Reduction Partnership). Antelope Valley Power Station will be the first commercial-scale coal-fired electric plant in the nation to capture and sequester CO2 on a

post-combustion basis. This means more energy from coal-fired production, a reduction in CO2 emissions, and more oil produced through tertiary recovery.

In our last legislative session, North Dakota passed comprehensive legislation making it the first state in the nation to create a legal and regulatory framework for carbon capture and sequestration. This legislation established a permitting process and the environmental requirements for geological storage of CO2. We also passed legislation that provides a partial exemption from the coal conversion tax for energy conversion facilities that capture and store CO2. This legal and regulatory framework provides predictability and incentives to companies looking to start or expand carbon capture and sequestration operations in the state. We need this same legal and regulatory certainty at the federal level to encourage the use of carbon capture and sequestration to reduce carbon emissions throughout the nation.

These and other cases show there is a better alternative than Waxman-Markey. The right approach is creating a comprehensive energy policy to empower energy development without taxing consumers. Through a comprehensive energy plan, our country can spur development of all of our energy resources with good stewardship while still promoting energy efficiency and conservation. The result will be more jobs, a stronger, more vibrant economy, good environmental stewardship, and greater energy independence and security for our nation.