EMPOWER

North Dakota
LEGENDARY

COMMENTS ON ENERGY-RELATED TAX INCENTIVES
JANUARY 13, 2015, 1:45 P.M.
ENERGY DEVELOPMENT AND TRANSMISSION COMMITTEE
ROUGHRIDER ROOM, STATE CAPITOL
REPRESENTATIVE JASON DOCKTER, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good afternoon, Mr. Chairman and members of the committee, my name is Al Anderson, Commissioner of the North Dakota Department of Commerce and chairman of the EmPower North Dakota Commission.

I am here today to speak to the importance of the energy-related tax incentives, specifically the Electrical Generation Sales Tax Exemption and the Biodiesel-related Incentives.

Electrical Generation Sales Tax Exemption

North Dakota's electrical generation facilities, including both coal-fired and wind, have a tremendous economic impact on the state. Thousands of people in North Dakota are employed with well-paying jobs tied to lignite mining and associated electrical generation. An estimated $100 million in state tax revenue is tied to lignite.

Wind farms are located in rural areas across the state. These not only provide jobs, but also provide payments to farmers which may help during times of low commodity prices.

We also have the potential of new natural gas-fired electrical generation facilities within the state. However, we are competing with other states and incentives, such as the sales tax exemption, will hopefully help us win those projects. Wouldn't it be great to use natural gas from the Bakken to generate electricity in the state?

As you are aware, the Environmental Protection Agency's (EPA) Clean Power Plan could have a tremendous negative impact on North Dakota's energy industry and our overall economy. Although I have hope that the State of North Dakota will ultimately win in the courts, we need to prepare for the possibility that it will remain in place. With that in mind, the Electrical Generation Sales Tax Exemption may help in two ways: (1) it can help partially offset the cost of environmental upgrades and (2) it can continue to help promote the development of wind generation.

I would urge the committee to not only consider removing the Electrical Generation Sales Tax Exemption from the bill draft to repeal, but also to remove the sunset tied to the wind electrical generation facilities.

Biodiesel Incentives

Biodiesel provides an opportunity to use North Dakota produced agricultural commodities to produce a renewable fuel. We currently have one large production facility with the ADM biodiesel plant near Velva having the capability to produce 85 million gallons of canola-based biodiesel per year.

Although the biodiesel and soybean or canola crushing incentives are currently not being well utilized, it may be good to maintain some incentives for instances in which an opportunity arises. When the situation does arise, North Dakota is often in competition with other states. For example, a large soybean processing plant project recently announced plans to locate in South Dakota.

Mr. Chairman and members of the Political Subdivision Taxation Committee, thank you for allowing me the time to visit with you today. That concludes my testimony and I am happy to entertain any questions.