



February 3, 2021

Chairman Headland and House Finance and Taxation Committee Members,

On behalf of the members of the Lignite Energy Council, I am submitting testimony today in support of House Bill 1412 to provide much needed temporary tax relief from coal conversion taxes for struggling lignite plants, which employ thousands of working families and serve as the lifeblood of many counties and communities in central North Dakota.

Due to changing fuel markets, federal policies and regulations that distort energy markets, the lignite industry greatly needs immediate economic relief to protect and preserve the North Dakota lignite industry which produces more than \$5 billion in regional economic impact, over 13,000 direct and indirect jobs and \$125 million in annual state and local tax revenues.

The seven lignite power plants in North Dakota produce a total of 4,000 megawatts of electricity on an annual basis. One 1,000-megawatt lignite power plant provides over \$32,000,000 in annual tax revenue consisting of coal severance taxes, coal conversion taxes, sales, property, and corporate income taxes along with all employment related taxes.

Each operator of a lignite power plant or conversion facility pays a coal conversion tax that is based on the amount of electricity or other products it generates per year. The total amount of coal conversion taxes paid in 2019, which is the most complete data available, was \$25.4 million. To breakdown how that total amount was paid, two facilities paid over \$5M while others pay annual coal conversion taxes in the \$1M-\$4M range.

HB1412 only focuses on the coal conversion tax and is proposing temporary tax relief from that tax for a period of five years. Coal conversion taxes are paid by the operator of a coal conversion facility for producing electricity or other products from coal conversion plants. A coal conversion facility is defined as (1) an electrical generating plant which has at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, (2) a plant other than an electrical generating plant which processes or converts coal and uses or is designed to use over 500,000 tons of coal per year, or (3) a coal beneficiation plant.

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This proposal only provides relief from the general fund deposits and does not impact county tax revenue or the lignite research fund. The counties will be held harmless under this proposal. This temporary relief will provide economic stability for the industry as we develop carbon capture and additional uses for lignite.

For these reasons, the Lignite Energy Council supports HB1412 and we respectfully ask that the committee provide this legislation with a favorable “Do-Pass” recommendation.

Thank you for your consideration,

Jason Bohrer

President and CEO

Lignite Energy Council