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NEWS RELEASE

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Time to turn off state subsidies to oil companies to flare

House committee asked to get serious about flaring

BISMARCK, ND --- The Dakota Resource Council today asked a legislative committee to limit the state's incentives that encourage oil companies to flare natural gas.

Currently, oil companies can flare for the first year of operations and not pay royalties or the state's gross production tax on the flared gas. The Oil and Gas Division of the Industrial Commission can then give extensions of that royalty and tax exemption indefinitely. About one-third of the natural gas in North Dakota is wasted through flaring. The national average is between one percent and five percent.

People who live and work in the Bakken, oil company officials, and state officials have all said they would like there to be less flaring. As a result, the legislature is considering several bills aimed at reducing flaring.

Today, the House Finance and Taxation Committee heard a bill (SB 2370) that would provide property tax exemptions to companies that build a natural gas collection system or gathering pipeline.

DRC offered an amendment that also would have companies pay royalties and gross production tax on gas flared after the first 60 days. DRC Chairman Verle Reinicke said after the hearing, "If we really are serious about reducing flaring, we can provide incentives to collect and use the gas, but we must also remove the incentive – or subsidy – that we currently give companies to flare."

Rep. Jessica Haak (DNPL-Jamestown), a member of the committee said, "The suggestion was well received by the committee. We will look over the amendment with careful consideration. Flaring is a concern in western North Dakota and we need to capture and utilize the gas instead of flaring it."

Support for similar limits on the exemption for flaring has come from Robert Harms, who has worked in the oil industry for much of the last 30 years. Harms said SB 2370 "is a modest tool to move towards a more acceptable level of flaring. But, we need to use every tool available to minimize the waste of this resource. Flaring is an issue that is a concern for all of us. We can and should do better."

At an earlier hearing on a bill that would have eliminated extensions of the royalty and tax exemption for flaring (SB 2315), Harms said 60 days should be long enough for most companies to either market and capture the gas or pay the royalties and taxes. House Finance and Taxation Committee member Rep. Matthew Klein (R-Minot) was a co-sponsor of SB 2315. Sponsored by Sen. Tim Mathern (D-Fargo), that bill was defeated by the Senate in February.

DRC is a statewide organization of farmers, ranchers, local business people and others working together on energy and agriculture issues.

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