

2023 HOUSE FINANCE AND TAXATION

HB 1430

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1430
1/31/2023

A bill relating to construction expansion or environmental upgrade of a renewable feedstock refinery.

Vice Chairman Hagert opened the hearing at 9:00AM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVillie, and Representative Ista. Members absent: none.

Discussion Topics:

- Renewable feedstock refinery
- Sales and use tax exemptions
- Tangible personal property
- Proposed amendment for 23.1003.01000

Chairman Headland verbally introduced the bill in support.

Charles Dendy, Legal Counsel for the North Dakota Tax Commissioner, verbally explained the bill in a neutral capacity and proposed an amendment for 23.1003.01000 (#18117).

Kate Klossner, Government Affairs Manager with Marathon Petroleum Corporation, testified in support (#17648).

Jeff Zueger, Chief Executive Officer with Midwest AgEnergy and a Director with North Dakota Ethanol Producers Association, testified in support (#18068 and 18069).

Phil Murphy, North Dakota Soybean Growers, verbally testified in support.

Charles Dendy, Legal Counsel for the North Dakota Tax Commissioner, answered questions from the committee.

Vice Chairman Hagert closed the hearing at 9:36AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1430
2/7/2023

A bill relating to construction, expansion, or environmental upgrade of a renewable feedstock refinery.

Chairman Headland opened the meeting at 10:13AM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

Discussion Topics:

- Committee vote

Representative Hagert moved a Do Pass.

Representative Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 14-0-0

Representative Finley-DeVille is the bill carrier.

Chairman Headland adjourned at 10:15AM.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1430: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1430 was placed on the Eleventh order on the calendar.

2023 SENATE FINANCE AND TAXATION

HB 1430

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1430
3/6/2023

Relating to construction, expansion, or environmental upgrade of a renewable feedstock refinery.

2:45 PM Vice Chairman Weber opened hearing.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Refinery payroll
- Other states
- Daily barrels

2:45 PM Representative Headland introduced bill. No written testimony.

2:51 PM Charles Dendy, ND Tax Department, helped explain bill more. No written testimony.

2:59 PM Julie Gannon, Government Relations for Marathon Petroleum, introduced Chris.

3:00 PM Chris Staats, General Manager for Marathon Petroleum Corporation's refineries in Mandan and Dickinson, North Dakota, testified in favor. #22173

3:10 PM Phil Murphy, ND Soybean Growers, verbally testified in favor.

3:11 PM Ron Ness, ND Petroleum Council, verbally testified in favor.

3:13 PM Chairman Kannianen adjourned hearing.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1430
3/6/2023

Relating to construction, expansion, or environmental upgrade of a renewable feedstock refinery.

3:30 PM Vice Chairman Weber opens hearing.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Barrel tax
- Legislative intent

3:34 PM Senator Patten moved to adopt amendment 23.1003.01001.

3:34 PM Senator Rummel seconded.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	AB
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passed 5-0-1

3:36 PM Charles Dendy, ND Tax Department for Legal Counsel, answered questions.

3:40 PM Shannon Fleischer, ND Tax Department, explanation of taxes.

3:43 PM Senator Rummel moved a Do Pass as amended.

3:43 PM Senator Patten seconded.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passed 6-0-0

3:45 PM Senator Rummel will carry.

3:45 PM Senator Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

23.1003.01001
Title.02000

Adopted by the Senate Finance and Taxation
Committee

March 6, 2023

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3-6-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1430

Page 1, line 22, replace "or" with an underscored comma

Page 1, line 23, after "expanding" insert ", or making"

Page 1, line 23, replace "of" with "to"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1430: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1430 was placed on the Sixth order on the calendar. This bill affects workforce development.

Page 1, line 22, replace "or" with an underscored comma

Page 1, line 23, after "expanding" insert ", or making"

Page 1, line 23, replace "of" with "to"

Renumber accordingly

TESTIMONY

HB 1430



Marathon Petroleum Company LP

500 Old Red Trail NE
Mandan, ND 58554
Marathonpetroleum.com

Written Testimony for House Bill 1430
North Dakota House Finance and Taxation Committee
January 31, 2023

Marathon Petroleum Corporation (MPC) is a leading, integrated, downstream energy company headquartered in Findlay, Ohio. The company operates the nation's largest refining system, with 2.9 million barrels per day of refining capacity from 13 refineries in 12 states. In addition, MPC owns or operates renewable fuels production facilities in Dickinson, North Dakota, and Martinez, California, as well as renewable feedstock pre-treatment facilities in Cincinnati, Ohio, and Beatrice, Nebraska. MPC also owns the general partner and majority limited partner interest in MPLX LP, a midstream company that owns and operates gathering, processing, and fractionation assets, as well as crude oil and light product transportation and logistics infrastructure.

Our Mandan refinery began operations in 1954 and today has a crude oil refining capacity of 71,000 barrels per calendar day (bpcd). The refinery processes primarily sweet domestic crude oil from the Bakken and manufactures gasoline, distillates, propane and heavy fuel oil.

Our Dickinson Renewable Diesel Refinery serves as a prime example of how we're innovating for the future by investing in renewable fuels and emerging technologies. The facility became fully operational in the spring of 2021 as the second largest renewable fuels facility in the United States. It produces 184 million gallons per year of renewable diesel by refining corn oil, soybean oil, fats and greases. We converted our petroleum refinery to the renewable fuels facility, which operates at a carbon intensity level 50% lower than that of a traditional refinery's.

In a related effort, also in 2021, we formed a joint venture with ADM to produce soybean oil to supply the rapidly growing demand for renewable diesel. This joint venture will own and operate a soybean processing complex in Spiritwood, North Dakota. When complete later this year, the facility will feature state-of-the-art automation technology to source and process local soybeans to supply Dickinson with approximately 5,000 barrels a day of locally advantaged renewable feedstock.

House Bill 1430 will allow refineries, like Dickinson, to continue to qualify for the sales and use tax credit established for refineries making significant investments through construction, expansion or environmental upgrades. Because our Dickinson refinery no longer meets the 5,000 barrels per day crude oil threshold in the original statute, without HB 1430, it would no longer qualify as a "refinery" in tax code. Although it is now refining soybean oil instead of crude oil, Dickinson is still a refinery that processes feedstock into a finished fuel, and this bill would simply expand the definition of "refinery" to include "renewable feedstock" refineries.

In the past, MPC has used the refinery sales and use tax credit mainly for environmental upgrades that helped lower greenhouse gas emissions and upgrade to our wastewater treatment facility to reduce pollutants discharged into nearby water sources.



Marathon Petroleum Company LP

500 Old Red Trail NE
Mandan, ND 58554
Marathonpetroleum.com

Looking forward, MPC plans to continue to make upgrades to our Dickinson refinery that will increase efficiency and reduce overall emissions. Additionally, we are evaluating opportunities to enhance the facility to meet the growing need for next generation fuels.

HB 1430 is a win-win for North Dakota. It continues incenting investment in current in-state infrastructure while also supporting products grown in the state to be used as feedstock at refineries.



Testimony of Jeff Zueger
CEO, Midwest Ag Energy
Director, North Dakota Ethanol Producers Association

In Support of HB 1430
January 31, 2023

Chairman Headland and members of the House Finance and Taxation Committee,

Thank you for the opportunity to testify before you today, I am Jeff Zueger. I am the CEO of Midwest Ag Energy which owns two ethanol plants in North Dakota, Blue Flint in Underwood, and Dakota Spirit in Spiritwood. I am also a director on the North Dakota Ethanol Producers Association (NDEPA) board, which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. I am here today on behalf of NDEPA to voice support for HB 1430, which creates a sale and use tax exemption for materials used in construction, expansion, or environmental upgrade of a renewable feedstock refinery.

North Dakota's ethanol industry contributes nearly \$1.7 billion annually to the state's economy and provides thousands of direct and indirect jobs. It converts 40-60% of the state's corn crop into 550 million gallons of high-performance, cost-effective fuel (ethanol); 1.5 million tons of high-quality livestock feed (distillers grains); and 20 million gallons of corn oil which is a low carbon feedstock for renewable diesel production. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity of 550 million gallons per year is more than five times the production a decade ago.

North Dakota's ethanol plants are continually improving in efficiency and diversification to ensure sustainability and respond to the needs of our customers. Most recently, several plants have worked to lower the carbon intensity of our fuel by implementing carbon capture and

storage projects. Sustainable aviation fuel (SAF) is a promising opportunity that would open a new market for low carbon North Dakota ethanol. Midwest AgEnergy is currently engaged in evaluating the potential to produce SAF from the low carbon ethanol we produce as will be others that employ carbon reduction technologies. The sales and use tax exemption outlined in this bill would assist in this effort.

NDEPA greatly appreciates the work done by the sponsors to bring this bill forward as these types of state incentives are important to making our state an attractive location for a SAF project. To ensure that any of the multiple forms of production of SAF including ethanol to SAF would be able to take advantage of the sales and use tax exemption, we would respectfully propose the following friendly amendments to Section 1 of the bill:

1) 1.c. – Add “renewable chemicals” to qualifying products. Bio-ethylene is a step in the ethanol to SAF process and may be the first step to getting a project sited. Additionally, future market drivers may favor renewable chemicals over renewable fuels, both of which are possible finished products from most of these types of processes.

3) 1.c. – Edit “deoxygenation” to “refining” or “processing” to allow for the multitude of technologies that exist to produce SAF and renewable fuels to qualify to advance projects in North Dakota.

4) 1.c. – Edit “no fewer than five thousand barrels” to “no fewer than three thousand barrels” to be more applicable to North Dakota’s ethanol plants and potential early commercialization projects.

We thank you for your continued support of the state’s ethanol industry and urge your support of HB 1430 with the proposed amendments to broaden the potential for expansion or renewable fuel production in our state. Thank you for your time, and I stand for any questions you may have.

Prepared for House
Finance & Taxation Committee
January 31, 2023
23.1003.01000

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1430

Page 1, line 16, after "80.1401" insert "or ethanol"

Page 1, after line 17, insert "ethylene."

Page 1, line 18, after "refining" insert "or processing"

Page 1, line 19, remove "through deoxygenation"

Page 1, line 20, replace "five" with "three"

Renumber accordingly

Chair Kannianen and Members of the Senate Finance and Taxation Committee,

Thank you for the opportunity to testify today. For the record, my name is Chris Staats, and I am the General Manager for Marathon Petroleum Corporation's refineries in Mandan and Dickinson, North Dakota. I appreciate your consideration of our support for House Bill 1430 in front of you today.

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HB 1430 is a win-win for North Dakota. It continues incenting investment in current in-state infrastructure while also supporting products grown in the state to be used as feedstock at refineries.

Thank you for the opportunity to testify today and I’m happy to stand for any questions.