

# **INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY**

## **Minutes of the 5th Meeting of the 2022 Interim**

**October 20, 2022**

### **Call to Order and Roll Call**

The 5th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Thursday, October 20, 2022, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Brandon Smith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators John Schickel, Adrienne Southworth, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Randy Bridges, Tom Burch, Ryan Dotson, Patrick Flannery, Chris Fugate, DJ Johnson, Norma Kirk-McCormick, Mary Lou Marzian, Suzanne Miles, Melinda Gibbons Prunty, Bill Wesley, and Richard White.

Guests: David Carter, Chief Information Security Officer, Kentucky Commonwealth Office of Technology; Dr. Brian Houillion, Program Coordinator for MS of Global Business with Blockchain Technology, Assistant Professor, Hutton School of Business, University of the Cumberlands; John Lyons, Deputy Secretary, Energy and Environment Cabinet (EEC); Gordon Slone, Commissioner, Department for Natural Resources, EEC; Kenya Stump, Executive Director, Office of Energy Policy, EEC; and Rich Storm, Commissioner, Kentucky Department of Fish and Wildlife Resources.

LRC Staff: Stefan Kasacavage, Kayla Carroway, Tanya Monsanto, and Rachel Hartley.

The committee adopted a citation in memory of Senator C.B. Embry, Jr.

The minutes from the meeting of September 22, 2022, were approved by voice vote.

### **Report and Update from the Kentucky Blockchain Technology Working Group**

David Carter stated the Kentucky Blockchain Technology Working Group (KBTWG) has nine statutory members as defined in KRS 42.474 and submits its annual report every December. The mission of the KBTWG is to evaluate the feasibility and efficacy of using blockchain technology to enhance the Commonwealth by identifying opportunities for the adoption, utilization, and/or regulation of blockchain technology.

Blockchain is an encrypted, secure, and distributed ledger system that maintains a digital record of transactions. Blockchain has many applications including: scalable technology used for recording transactions made with cryptocurrencies, supply chain and logistics monitoring, data sharing, digital voting, real estate and auto title transfer tracking, and energy trading.

Mr. Carter provided a brief overview of the highlights from the KBTWG's 2021 report relating to utilizing blockchain technology in the sectors of finance, records management, public utilities, logistics and supply chain management, and healthcare. The legislation that created the KBTWG should be amended to expand the role and mission to encompass a broader field of view. Kentucky should also explore the benefits of creating a state blockchain leadership position to aid in the research and management of potential implementation of blockchain technology in state government.

Dr. Brian Houillion provided a brief preview of the KBTWG's 2022 report by discussing how other states and the federal government are utilizing blockchain technology. Dr. Houillion presented the potential recommendations from the upcoming 2022 report of the KBTWG, which were similar to the 2021 report recommendations including: an expanded scope, amended membership, and a state advisor office and/or working group administrator.

In response to Senator Southworth, Dr. Houillion stated the current scope of the KBTWG is focused on utilizing blockchain technology in public utilities and public infrastructure. The scope of the KBTWG should be expanded to include finance, records management, logistics and supply chain management, healthcare, and emerging technology.

### **Update on the Kentucky Coal Market and Discussion of Kentucky's response to anticipated high energy prices due to the federal Inflation Reduction Act's green energy policies**

John Lyons stated nearly 100 percent of Kentucky's power generation mix comes from fossil fuels including coal and natural gas. Mr. Lyons stated the anticipated high energy prices are due to the Covid-19 pandemic, the war between Russia and Ukraine, and other global issues that are beyond the control of Kentucky's state government. So far this year, the EEC has issued fewer permits for new mines in Kentucky than last year.

The EEC has not been able to compete with the federal government when hiring and retaining mine safety specialists. The starting salary for a mine safety specialist in the federal government is \$10,000 higher than the average salary in Kentucky.

Gordon Slone stated coal employment in Kentucky has increased. In 2020, there were 3,914 employees and in 2022, there are 4,675 employees working in the coal industry.

Due to the Covid-19 pandemic, the coal severance tax receipts decreased in 2020, but they have increased in 2022. For the first quarter of fiscal year 2023, the coal severance tax receipts increased 72 percent from the first quarter of fiscal year 2022. In 2019, coal production was at 36.1 million tons, but decreased to 24.2 million tons in 2020. Kentucky coal production has increased since the Covid-19 pandemic. In 2021, coal production increased to 26.4 million tons. There is only data for the first three quarters of fiscal year 2022 and Mr. Slone anticipates production to be at least 28 million tons. In 2022, there are currently 81 actively producing coal permits and 154 licensed coal mines. In 2021, there were 202 coal mining permits issued and in 2022, there were 155 coal mining permits issued.

In response to Senator Webb, Mr. Slone stated there are currently 41 mine safety specialists in Kentucky. Senator Webb stated the General Assembly should review the budget for mine safety specialists during the next budget session.

In response to Senator Smith, Mr. Slone stated if a mine has 36 or more miners, the mine must field their own mine safety team. Mr. Slone stated there are 154 mines operating in the state of Kentucky. Mr. Lyons stated he will determine and report to the committee members the number of companies that operate mines in Kentucky. Mr. Slone provided a brief overview of the permit renewal process.

In response to Representative Burch, Mr. Slone stated six months of data is required before an application can be submitted for clean-up of a coal mining site through the federal Surface Mining Control and Reclamation Act. The Kentucky Reclamation Guaranty Fund is designed to cover the excess costs of reclamation for a coal mining site.

In response to Senator Smith, Mr. Lyons stated the EEC's Kentucky Pollutant Discharge Eliminations Systems program has one water permit pending.

Kenya Stump stated about 95 percent of Kentucky's coal stays in the United States. About 42 percent of Kentucky's coal consumption is met with production within the state. The remaining coal consumed is from Illinois, Wyoming, and West Virginia.

Consumption of natural gas in Kentucky is almost five times greater than the state's production. There are several interstate natural gas pipelines that supply Kentucky. Kentucky has 22 underground natural gas storage facilities that can hold nearly 222 billion cubic feet, which is about 2 percent of the total storage capacity in the United States.

United States coal exports for the second quarter of 2022 increased by 13.9 percent from the first quarter of 2022. The average price of coal exports during the second quarter of 2022 was \$231.68 per short ton.

Coal and natural gas are global commodities that face similar supply chain issues and market influences as other commodities. Pandemics, weather events, world economic policies, and geopolitical events impact demand, price, and production. Coal and natural gas prices should be lower in 2023, as supply and demand seek an equilibrium; however, prices are not anticipated to return to pre-covid-19 pandemic levels. Consumers will bear the additional fuel costs as the fuel adjustment charges are expected to increase.

### **Referred Administrative Regulations**

Rich Storm provided a brief overview of the administrative regulations on the agenda.

In response to Senator Smith, Mr. Storm stated bear season in Kentucky started on October 17, 2022.

In response to Senator Schickel, Mr. Storm stated the regulation regarding bear season will remove the quota for female bears.

In response to Representative Burch, Mr. Storm stated there are approximately 50 bears hunted every season in Kentucky.

There being no further business, the meeting was adjourned.