

1 AN ACT relating to geologic sequestration of carbon dioxide.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
4 READ AS FOLLOWS:

5 *The purposes of Sections 1 to 24 of this Act are to:*

- 6 *(1) Establish a legal and regulatory framework for the development and approval of*
7 *underground carbon dioxide sequestration facilities;*
8 *(2) Designate a government agency responsible for establishing standards and*
9 *promulgating administrative regulations for the development and approval of*
10 *underground carbon dioxide sequestration and sequestration facilities;*
11 *(3) Safeguard and protect the correlative rights of operators, mineral owners, pore*
12 *space owners, and surface owners and provide for just and reasonable*
13 *compensation for their respective interests in underground carbon dioxide*
14 *sequestration facilities; and*
15 *(4) Ensure that long-term geologic sequestration of carbon dioxide in the*
16 *Commonwealth is accomplished without unreasonable disturbance of surface,*
17 *mineral, or water resources or endangering public safety.*

18 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
19 READ AS FOLLOWS:

20 *As used in Sections 1 to 24 of this Act:*

- 21 *(1) "Administratively complete," with respect to an application means an application*
22 *for permit approval that the cabinet determines contains:*
23 *(a) Information addressing each application requirement of the regulatory*
24 *program; and*
25 *(b) All information necessary to initiate technical processing and public review;*
26 *(2) "Cabinet" means the Energy and Environment Cabinet;*
27 *(3) "Carbon dioxide" means anthropogenic carbon dioxide of sufficient purity and*

- 1 quality as to not compromise:
- 2 (a) The safety of geologic sequestration; and
- 3 (b) Those properties of the sequestration reservoir which allow the reservoir to
- 4 effectively enclose and contain a stored gas;
- 5 (4) "Carbon dioxide sequestration" means the injection of carbon dioxide and
- 6 associated constituents into subsurface geologic reservoirs intended to provide for
- 7 the long-term containment of a gaseous, liquid, or supercritical carbon dioxide
- 8 stream in subsurface geologic formations and thereby prevent its release into the
- 9 atmosphere;
- 10 (5) "Class II well" has the same meaning as in KRS 353.510;
- 11 (6) "Class VI injection well" or "Class VI well" means the classification by the US
- 12 EPA of wells for injection of substances or materials into subsurface rock
- 13 formations and, specifically, to the class of wells that are used to inject carbon
- 14 dioxide into subsurface rock formations;
- 15 (7) "Class VI underground injection control permit" or "Class VI permit" means a
- 16 permit for a specified site authorizing a person or business entity to construct and
- 17 operate a carbon dioxide sequestration facility issued by the:
- 18 (a) US EPA prior to granting the cabinet primary enforcement authority; or
- 19 (b) Cabinet after primary enforcement authority is granted by the US EPA;
- 20 (8) "Completion certificate" means a Certificate of Underground Carbon Dioxide
- 21 Sequestration Project Completion;
- 22 (9) "Control person" has the same meaning as in KRS 353.510;
- 23 (10) "Drilling permit" means a permit issued by the cabinet to drill a well or convert
- 24 an existing well for the purposes of constructing a Class VI underground
- 25 injection control facility;
- 26 (11) "Gas well" has the same meaning as in KRS 353.010;
- 27 (12) "Monitoring well" means a well authorized under a Class VI underground

1 injection control permit that is designed and completed in a specified subsurface
2 interval to monitor pressure, fluid chemistry, or other parameters to confirm
3 containment of injected carbon dioxide within the sequestration reservoir and
4 confining system and to demonstrate non-endangerment of underground sources
5 of drinking water;

6 (13) "Oil well" has the same meaning as in KRS 353.010;

7 (14) "Person" has the same meaning as in KRS 353.510;

8 (15) "Pore space" means a cavity or void, whether naturally or artificially created, in
9 subsurface stratum beneath individual properties within a reservoir into which
10 injection of carbon dioxide is proposed;

11 (16) "Reservoir" means a subsurface stratum, formation, cavity, or void, whether
12 naturally or artificially created, including oil and gas reservoirs, saline
13 formation, and coal seams suitable for, or capable of being made suitable for, the
14 injection and storage of carbon dioxide;

15 (17) "Secretary" means the secretary of the Energy and Environment Cabinet;

16 (18) "Sequestration facility" means the reservoir, well, underground equipment, and
17 surface facilities and equipment used or proposed to be used in a carbon dioxide
18 sequestration project, but does not include pipelines used to transport carbon
19 dioxide to the sequestration facility;

20 (19) "Sequestration operator" means a person applying for or holding a Class VI
21 permit until the issuance of a completion certificate for the relevant sequestration
22 facility;

23 (20) "Sequestration reservoir" means a reservoir proposed, authorized, and used for
24 storing carbon dioxide;

25 (21) "Surface waters":

26 (a) Means:

27 1. Those waters having well-defined banks and beds, either constantly or

- 1 intermittently flowing;
- 2 2. Lakes and impounded waters;
- 3 3. Marshes and wetlands; and
- 4 4. Any subterranean waters flowing in well-defined channels and having
- 5 a demonstrable hydrologic connection with the surface; and
- 6 (b) Does not include lagoons used for waste treatment and effluent ditches that
- 7 are situated on property owned, leased, or under valid easement by a
- 8 permitted discharger;
- 9 (22) "Third party" means a party who is independent of the corporate structure of a
- 10 sequestration operator;
- 11 (23) "Underground source of drinking water" or "USDW" has the same meaning as
- 12 in 40 C.F.R. sec. 144.3;
- 13 (24) "Unknown or missing owner" means a person vested with a present ownership
- 14 interest in the pore space whose present identity or location cannot be determined
- 15 from:
- 16 (a) A reasonable review of county clerk records for the county or counties in
- 17 which the property is located, and includes unknown heirs, successors, and
- 18 assigns known to be alive;
- 19 (b) A reasonable inquiry in the county of the owner's last known place of
- 20 residence;
- 21 (c) A diligent inquiry into known interest owners in the same tract; and
- 22 (d) A reasonable review of available internet resources commonly utilized by
- 23 the industry; and
- 24 (25) "US EPA" means the United States Environmental Protection Agency.

25 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
26 READ AS FOLLOWS:

27 (1) A person shall not construct or operate a carbon dioxide sequestration facility

1 without first securing a:

2 (a) Class VI underground injection control permit from the US EPA or the
3 cabinet; and

4 (b) Drilling permit issued by the cabinet.

5 (2) The injection of carbon dioxide for purposes of enhancing the recovery of oil or
6 natural gas pursuant to a permit approved by the cabinet under KRS 353.592
7 shall not be subject to the provisions of Sections 1 to 24 of this Act.

8 (3) If an oil, natural gas, or coalbed methane well operator proposes to convert its
9 operations to carbon dioxide sequestration, then the underground carbon dioxide
10 sequestration facility shall be regulated pursuant to Sections 1 to 24 of this Act.

11 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
12 READ AS FOLLOWS:

13 (1) Every Class VI underground injection control permit application filed under this
14 section shall:

15 (a) Be on a form prescribed by the cabinet;

16 (b) Be certified by the applicant; and

17 (c) Contain all information specified by administrative regulations promulgated
18 by the cabinet in accordance with KRS Chapter 13A.

19 (2) (a) Upon filing an application for a Class VI permit, an applicant shall:

20 1. Pay a fee in an amount set by the cabinet; and

21 2. Submit proof of public notice of the application pursuant to Section 5
22 of this Act.

23 (b) The fee shall be deposited into the carbon dioxide sequestration facility
24 administrative fund established in Section 14 of this Act.

25 (3) In addition to obtaining a Class VI underground injection control permit, the
26 applicant shall secure drilling permits from the cabinet for each well described in
27 the approved Class VI permit.

- 1 (4) If, prior to approval of an application, the cabinet determines that the proposed
2 sequestration facility contains commercially valuable minerals, the cabinet shall
3 ensure that the interests of the mineral owners or mineral lessees:
- 4 (a) Will not be adversely affected; or
5 (b) Have been addressed in a written agreement entered into by the mineral
6 owners, mineral lessees, and the sequestration operator pursuant to Section
7 10 of this Act.
- 8 (5) To be considered an administratively complete application, a Class VI permit
9 application shall include documentation that:
- 10 (a) The sequestration operator has the written consent of those persons having
11 ownership interests in at least seventy-five percent (75%) of the proposed
12 sequestration reservoir's pore space acreage; and
- 13 (b) A pooling order has been requested pursuant to Section 20 of this Act for up
14 to twenty-five percent (25%) of the proposed sequestration reservoir's pore
15 space acreage for nonconsenting, unknown, and missing pore space
16 owners.
- 17 (6) The cabinet shall not begin technical review of an administratively complete
18 application until the sequestration operator has:
- 19 (a) Demonstrated that it possesses through the requisite consent and the
20 petition for a pooling order in accordance with Section 20 of this Act, the
21 legal right to utilize one hundred percent (100%) of the pore space acreage
22 of the proposed sequestration reservoir; and
- 23 (b) Provided documentation demonstrating the legal right to enter onto and
24 conduct all surface activities and operations associated with the proposed
25 sequestration facility.
- 26 (7) If the cabinet determines that a bona fide dispute exists regarding the applicant's
27 legal right, consistent with subsections (5) and (6) of this section, to utilize any of

1 *the pore space acreage of the proposed sequestration reservoir, the cabinet shall:*

2 *(a) Suspend technical permit review pending resolution of the property dispute*
3 *by a court of competent jurisdiction or resolution by the parties; or*

4 *(b) Require the applicant to revise the permit application to exclude the*
5 *contested pore space acreage.*

6 *(8) A Class VI permit shall not be issued under this section unless the cabinet finds*
7 *that:*

8 *(a) The application and proposed operations comply with all requirements*
9 *established by the cabinet, including any applicable Class VI underground*
10 *injection control administrative regulations, and all applicable provisions of*
11 *state and federal law;*

12 *(b) The sequestration facility is suitable and feasible for carbon dioxide*
13 *injection and sequestration;*

14 *(c) The sequestration operator has made a good-faith effort to obtain the*
15 *written consent of all persons who own the sequestration reservoir's pore*
16 *space;*

17 *(d) The applicant has demonstrated the legal right to utilize one hundred*
18 *percent (100%) of the sequestration reservoir's pore space acreage;*

19 *(e) The application contains documentation sufficient to demonstrate the legal*
20 *right to enter onto and conduct all surface activities and operations*
21 *associated with the proposed sequestration facility;*

22 *(f) The proposed sequestration facility will not endanger surface waters or any*
23 *USDW;*

24 *(g) The creation, operation, and maintenance of the sequestration facility will*
25 *not appreciably endanger human health or the environment;*

26 *(h) Adequate horizontal and vertical boundaries of the sequestration reservoir*
27 *are defined, including buffer areas, to ensure that the sequestration facility*

1 is operated safely and prudently;

2 (i) The sequestration operator will establish monitoring facilities and protocols
3 to assess the location and migration of carbon dioxide injected for
4 sequestration and to ensure compliance with all Class VI permit, statutory,
5 and administrative regulation requirements;

6 (j) All nonconsenting pore space owners are or will be justly and reasonably
7 compensated in accordance with the administrative regulations and
8 procedures set forth in and promulgated under this section by the cabinet;
9 and

10 (k) The sequestration operator demonstrates financial responsibility as
11 determined by the cabinet pursuant to subsections (10) and (11) of this
12 section and applicable administrative regulations.

13 (9) The cabinet shall render a decision on a permit application in accordance with
14 Section 6 of this Act.

15 (10) (a) A permit shall not be issued under this section unless the sequestration
16 operator posts qualifying financial responsibility sufficient to cover the cost
17 of:

18 1. Corrective action;

19 2. Well plugging of Class VI injection wells and monitoring wells;

20 3. Post-injection site care and facility closure;

21 4. Emergency and remedial response; and

22 5. Addressing endangerment of underground sources of drinking water.

23 (b) The financial responsibility instruments shall contain protective conditions
24 for coverage for cancellation, renewal, and continuation provisions. The
25 sequestration operator shall have detailed written estimates, in current
26 dollars, of the cost of performing the activities contained in paragraph (a)1.
27 to 5. of this subsection. The cost estimates shall be separate for each phase

1 and shall be based on the costs of the cabinet to hire third parties to perform
2 the required activity.

3 (c) For the duration of the permit, the sequestration operator shall annually
4 adjust the cost estimates of each activity and provide the information to the
5 cabinet. Any decrease or increase in the initial cost estimate shall be subject
6 to the cabinet's approval. If at any time the current cost estimate:

7 1. Increases to an amount greater than the face amount of the financial
8 responsibility instruments currently in use, the sequestration operator
9 shall submit to the cabinet within sixty (60) days, written evidence of
10 an increase of the face amount of the existing financial responsibility
11 instruments or substitute another instrument in the increased amount;

12 or

13 2. Decreases to an amount lesser than the face amount of the financial
14 responsibility instruments, those instruments may be reduced to the
15 amount of the current estimate upon receipt of written approval from
16 the cabinet.

17 (d) The cabinet shall perform an annual evaluation of the qualifying financial
18 responsibility to determine if the amount of financial responsibility provided
19 by the sequestration operator is sufficient to secure the operator's
20 obligations under state and federal law. A cabinet determination under this
21 subsection is considered final. If the cabinet determines the amount of
22 financial responsibility is insufficient, the sequestration operator shall:

23 1. Provide an adjustment of the cost estimate to the cabinet within sixty
24 (60) days of notification by the cabinet; and

25 2. Adjust the financial responsibility instruments in accordance with
26 paragraph (c) of this subsection.

27 (e) The initial deposit, use, and length of pay-in periods for trust funds or

1 escrow accounts are subject to the cabinet's approval. The sequestration
2 operator may make periodic deposits into a trust fund or escrow account
3 throughout the operational period to ensure sufficient funds are available to
4 carry out the required activities on the date on which they may occur. The
5 cabinet shall consider project-specific risk assessments, projected timing of
6 activities, and interest accumulation in determining whether sufficient
7 funds are available to conduct the required activities.

8 (11) (a) In demonstrating and maintaining financial responsibility as determined by
9 the cabinet, the sequestration operator shall provide financial responsibility
10 from the following list of qualifying instruments:

- 11 1. Trust funds;
- 12 2. Surety or cash bonds;
- 13 3. Letters of credit;
- 14 4. Insurance;
- 15 5. Self-insurance; or
- 16 6. Any other instrument the cabinet finds satisfactory.

17 (b) The cabinet may promulgate administrative regulations in accordance with
18 KRS Chapter 13A to allow self-insurance as a financial responsibility
19 mechanism for some or all of the costs and obligations of the sequestration
20 operator under terms and conditions as the cabinet deems necessary to
21 ensure completion of all obligations of the Class VI permit. To account for
22 the risks of default and resulting responsibility obligations incurred by the
23 carbon dioxide sequestration facility trust fund established in Section 16 of
24 this Act, the cabinet's terms and conditions may include:

- 25 1. Corporate guarantees;
- 26 2. Securing performance by lien or collateral; and
- 27 3. Adjustments in assessed contributions by the sequestration operator to

1 the carbon dioxide sequestration facility trust fund established in
2 Section 16 of this Act.

3 (c) All qualifying financial instruments are subject to the cabinet's approval.

4 (12) (a) The cabinet shall not issue a permit under this section or approve an
5 application to transfer a sequestration facility to a successor operator
6 pursuant to subsection (13) of this section, and an operator shall not be
7 eligible to receive any permits or become a successor operator under this
8 section if:

9 1. The applicant has falsified or otherwise misrepresented any
10 information on or relating to the permit application;

11 2. The applicant has failed to abate or reach an agreement with the
12 cabinet regarding an unappealed violation of Sections 1 to 24 of this
13 Act or the administrative regulations promulgated thereunder;

14 3. A control person of the applicant has a forfeiture of a financial
15 responsibility instrument;

16 4. The applicant is a control person for another operator that has a
17 forfeiture of a financial responsibility instrument;

18 5. A control person for the applicant served as a control person for
19 another operator when an unresolved financial responsibility
20 instrument forfeiture occurred;

21 6. The applicant is or has a control person who controls or is controlled
22 by another operator that has a forfeiture of a bond; or

23 7. The cabinet determines that an activity of the applicant is currently in
24 violation of KRS Chapter 149, 151, 224, 349, 350, 351, 352, or 353 or
25 any administrative regulation promulgated thereunder.

26 (b) The cabinet:

27 1. May restore the eligibility of applicants, operators, and control persons

- 1 who are deemed permit-ineligible pursuant to paragraph (a)1. of this
2 subsection upon resubmission of the application correcting the false
3 or misrepresented information;
- 4 2. Shall restore the eligibility of applicants, operators, or control persons
5 who are deemed permit-ineligible pursuant to paragraph (a)2. of this
6 subsection upon satisfactory abatement of the violation and payment
7 of any civil penalties;
- 8 3. Shall restore the eligibility of applicants, operators, or control persons
9 who are deemed permit-ineligible pursuant to paragraph (a)3. to 6. of
10 this subsection upon entry of and satisfactory compliance with an
11 agreed order between the operator and the cabinet that resolves all the
12 operator's outstanding violations, requires payment of any civil
13 penalties, and provides restitution to the cabinet for any costs
14 associated with the forfeiture, plugging, and proper abandonment of a
15 well in excess of the financial responsibility instruments forfeited to
16 the cabinet by the operator; and
- 17 4. a. Shall provisionally restore the eligibility of applicants who are
18 deemed permit-ineligible pursuant to paragraph (a)7. of this
19 subsection upon either submittal of proof that the violation is in
20 the process of being corrected to the satisfaction of the cabinet or
21 a demonstration that the applicant has filed and is pursuing a
22 good-faith administrative or judicial appeal to contest the
23 violation. If the Circuit Court affirms the violation, then the
24 applicant shall, within thirty (30) days of the judicial action,
25 submit proof that the violation is in the process of being
26 corrected to the satisfaction of the cabinet. Provisional
27 restoration of permit eligibility related to paragraph (a)7. of this

1 subsection may be withdrawn at any time if the cabinet
2 determines that the applicant no longer satisfies the
3 requirements of this section.

4 b. The cabinet shall fully restore the eligibility of applicants who
5 are deemed permit-ineligible pursuant to paragraph (a)7. of this
6 subsection upon either submittal of proof that the violation has
7 been corrected to the satisfaction of the cabinet or that the
8 violations have been ordered vacated in a final decision of the
9 secretary or a reviewing court after all appeals have been
10 exhausted.

11 (13) A permit issued pursuant to this section shall not be transferred by sale,
12 assignment, lease, or otherwise, except upon the written approval by the cabinet
13 of a joint application submitted by both the transferor and the transferee. The
14 joint application for transfer shall be on a form prescribed by the cabinet and
15 accompanied by a fee in an amount set by the cabinet. Fees under this subsection
16 shall be deposited in the carbon dioxide sequestration facility administrative fund
17 established in Section 14 of this Act. The transferee shall file financial
18 responsibility with the application in an amount and form that the cabinet deems
19 satisfactory to cover the costs of the activities listed in subsection (10)(a) of this
20 section. All rights and liabilities under the permit shall pass to the transferee
21 upon written approval of the transfer by the cabinet.

22 (14) The cabinet shall conduct periodic reviews of each permit issued pursuant to this
23 section. The cabinet shall review each permit at least once every five (5) years
24 from the date of the permit issuance and whenever the cabinet has reason to
25 believe, based on available information, that the permit may no longer be in
26 compliance with Sections 1 to 24 of this Act. During permit review, the cabinet
27 shall review all provisions of the existing permit, including the adequacy of the

1 financial responsibility required by this section. The cabinet may, by
2 determination issued to the permit holder, require revision or modification of the
3 permit provisions, including requiring the posting of additional financial
4 responsibility, in order to ensure compliance with this section.

5 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
6 READ AS FOLLOWS:

7 (1) Public notice of an application for a Class VI well permit under Sections 1 to 24
8 of this Act shall allow at least thirty (30) days for public comment.

9 (2) The cabinet shall send the public notice to the applicant, who shall be responsible
10 for publication of the notice pursuant to KRS Chapter 424 within thirty (30) days
11 prior to the submission of an application. Upon publication, the applicant shall
12 send the cabinet a copy of the certificate of publication. The cost of publication
13 shall be borne by the applicant.

14 (3) Notice of an application for a Class VI well permit shall be served on each
15 mineral lessee, mineral owner, and pore space owner with a legal interest in the
16 property or properties that involves the sequestration reservoir, and adjoining
17 surface and mineral owners of record.

18 (4) Service of individual notices required by this section shall be through personal
19 service, by registered mail, or by any method of delivery that requires a receipt or
20 signature confirmation.

21 (5) Service of any unknown or missing owners shall be deemed to have occurred,
22 provided that the sequestration operator has complied with this section and
23 Section 20 of this Act.

24 (6) The cabinet may hold a public hearing at its discretion if a hearing may assist in
25 clarifying one (1) or more issues involved in the Class VI well permit decision. If
26 a public hearing is held, notice of the hearing shall be provided in the same
27 manner as set forth in subsection (2) of this section.

1 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
2 READ AS FOLLOWS:

3 (1) Within sixty (60) calendar days of receiving an application for a Class VI
4 underground injection control well, the cabinet shall provide written notice to the
5 applicant as to the administrative completeness of the application. If the
6 application is determined to be administratively:

7 (a) Complete, the cabinet shall notify the applicant in writing that the technical
8 review period provided by subsection (2) of this section has begun; or

9 (b) Incomplete, the cabinet shall notify the applicant of the deficiencies that
10 render it administratively incomplete. The applicant shall have thirty (30)
11 calendar days from receiving the cabinet's notice of deficiency to correct the
12 deficiencies and render the application administratively complete.

13 (2) (a) Technical review of an application shall begin when the cabinet has deemed
14 the application administratively complete and ready for review. The cabinet
15 shall issue a final determination to either approve or deny the application
16 within three hundred sixty-five (365) calendar days from the date an
17 administrative completeness determination has been made by the cabinet.

18 (b) If the application is found deficient during technical review, the cabinet
19 shall notify the applicant in writing of the deficiencies identified by the
20 cabinet during the review. The applicant shall respond to the deficiencies
21 with information that addresses the identified deficiencies.

22 (3) An application shall be considered temporarily withdrawn when an applicant is
23 correcting deficiencies noted by the cabinet pursuant to subsection (1)(b) or (2)(b)
24 of this section. Periods of temporary withdrawal shall not be counted against the
25 review period allotted to the cabinet for administrative or technical review. Upon
26 resubmittal the review period allotted to the cabinet shall resume.

27 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) The cabinet shall include in any Class VI underground injection control permit
3 or order all provisions necessary to:

4 (a) Carry out the objectives of Sections 1 to 24 of this Act;

5 (b) Protect and adjust the respective rights and obligations of persons affected
6 by a carbon dioxide sequestration facility; and

7 (c) Protect public health, safety, and the environment.

8 (2) The cabinet shall require that a copy of any Class VI permit issued and a land
9 survey of the permitted sequestration reservoir indicating impacted surface, pore
10 space and mineral owners and mineral lessees be filed with the county clerk in
11 the county or counties where the carbon dioxide sequestration facility is located.
12 Any amendments or modifications to the Class VI permit or land survey shall also
13 be filed.

14 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
15 READ AS FOLLOWS:

16 (1) A person shall not drill, deepen, reopen, or convert a well for the purposes of
17 developing a Class VI underground injection control well without first securing
18 drilling permits from the cabinet.

19 (2) To both protect and prevent endangerment of underground sources of drinking
20 water, the cabinet shall promulgate administrative regulations in accordance with
21 KRS Chapter 13A regarding the drilling, casing, and construction of the wells.
22 The cabinet shall prescribe the use of materials that are compatible and can
23 withstand contact with carbon dioxide over the life of the sequestration project,
24 including the project's conversion, maintenance, and abandonment of wells.

25 ➔SECTION 9. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
26 READ AS FOLLOWS:

27 (1) For the purposes of Sections 1 to 24 of this Act and in all other respects, any

1 carbon dioxide injected and sequestered in accordance with a Class VI
2 underground injection control permit issued by the cabinet and in compliance
3 with Sections 1 to 24 of this Act and the cabinet's administrative regulations shall
4 not be considered a pollutant, and the operation and existence of such a carbon
5 dioxide sequestration facility shall not be considered a public nuisance.

6 (2) The cabinet's authority under Sections 1 to 24 of this Act shall not otherwise limit
7 the authority or jurisdiction of the cabinet in any manner under any other state
8 or federal law.

9 ➔SECTION 10. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
10 READ AS FOLLOWS:

11 The provisions of this section shall apply to activities occurring within or proposed to
12 occur within a sequestration reservoir:

13 (1) Nothing contained in Sections 1 to 24 of this Act prohibits the mineral owner or
14 lessee or the pore space owner or lessee from exploring, developing, or producing
15 oil, gas, or other minerals above or below a sequestration reservoir or from using
16 other strata or formations for carbon dioxide sequestration. Wells penetrating
17 sequestration reservoirs shall protect their integrity and prevent carbon dioxide
18 release. Wells penetrating oil and gas formations shall protect their integrity and
19 prevent contamination or damage;

20 (2) Before drilling, deepening, reopening, converting, or plugging wells drilled
21 pursuant to KRS Chapters 349 and 353 on any property with a permitted
22 sequestration reservoir, the oil and gas operator shall, at the time of filing with
23 the cabinet, forward a copy of the application to the sequestration operator via
24 registered or certified mail or by personal service;

25 (3) When the cabinet receives a permit application for a well within a sequestration
26 reservoir or buffer zone, the cabinet shall notify both the oil and gas operator and
27 sequestration operator by registered or certified mail or by personal service;

- 1 (4) Before drilling, deepening, reopening, converting, or plugging a Class VI
2 injection well or monitoring well on a property where oil, gas, or other minerals
3 are owned by a person other than the sequestration operator, the sequestration
4 operator shall, at the time of filing, forward a copy of the application and plat to
5 the oil, gas, or other mineral owner via registered or certified mail or by personal
6 service;
- 7 (5) The sequestration operator shall:
- 8 (a) Notify the oil, gas, or other mineral operator when sequestration rights are
9 acquired on property with:
- 10 1. An oil or gas lease or oil and gas operations; or
11 2. A coal or noncoal lease, or coal or noncoal operations pursuant to
12 KRS Chapter 350; and
- 13 (b) Ensure that notice of future applications to drill Class VI injection wells or
14 monitoring wells are sent to the oil, gas, coal, or other mineral lessee and
15 operator, if any;
- 16 (6) Upon receiving an application to drill, deepen, convert, reopen, complete, or plug
17 an oil or gas well or a Class VI injection or monitoring well, the cabinet shall
18 hold the application for fifteen (15) days to allow non-applicant operators to file
19 objections. If objections are filed, the objecting non-applicant operator shall serve
20 the objections on the applicant operator. The cabinet shall schedule a hearing,
21 pursuant to subsection (6) of Section 5 of this Act, within ten (10) days of
22 receiving the objection. If, during or before the hearing, the parties reach an
23 agreement regarding the objections, changes to the drilling plan in accordance
24 with the agreement shall be submitted by the applicant operator in an amended
25 application. If an agreement is not reached, the cabinet, after considering the
26 objections and the evidence presented at the hearing, shall enter an order and
27 issue a permit to drill with modifications to protect the rights and resources of the

1 parties involved;

2 (7) If the oil and gas operator and the sequestration operator disagree on the drilling,
3 deepening, reopening, completing, or plugging of an oil or gas well or a Class VI
4 or monitoring well, the cabinet shall:

5 (a) Determine how the costs above those normally incurred in the drilling,
6 completion, or plugging of the well will be allocated to the applicant
7 operator and non-applicant operator; and

8 (b) Specify the payment terms;

9 (8) Upon receipt of notice of an application to drill, deepen, reopen, complete, or
10 plug an oil or gas well or a Class VI or monitoring well, a non-applicant operator
11 may waive his or her objection and specify whether the waiver applies to one (1)
12 or more wells, a group of wells, or specific areas. The waiver shall be made by
13 letter or by telephone with written confirmation. If the waiver is filed and the
14 cabinet determines that the application is otherwise complete and the public
15 interest is served, the permit shall be issued; and

16 (9) (a) Before plugging and abandoning an oil or gas well that penetrates a
17 sequestration reservoir or a Class VI or monitoring well that penetrates an
18 oil or gas formation:

19 1. The operator proposing to plug and abandon the well shall notify the
20 other non-plugging operator and the cabinet of the operator's
21 intention to plug and abandon the well and shall state the date and
22 time when the plugging will occur;

23 2. Notice shall be sufficient to reasonably allow the non-plugging
24 operator to attend and view the plugging of the well. The operator may
25 proceed with plugging the well if, after notice, the non-plugging
26 operator does not attend; and

27 3. The operator shall:

- 1 a. Seek and receive the approval of the cabinet; and
2 b. Allow a cabinet representative to be present at the well plugging.
3 (b) Plugging shall not occur except pursuant to the approval of the cabinet and
4 with a cabinet representative present at the plugging.

5 ➔SECTION 11. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
6 READ AS FOLLOWS:

7 The secretary may enter into cooperative agreements with corresponding officials in
8 other state governments or governmental agencies for the purpose of regulating carbon
9 dioxide sequestration projects that extend beyond state regulatory authority under
10 Sections 1 to 24 of this Act.

11 ➔SECTION 12. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
12 READ AS FOLLOWS:

13 The sequestration operator shall be the owner of the carbon dioxide injected into and
14 stored in a sequestration reservoir approved under Sections 1 to 24 of this Act and shall
15 maintain ownership and control until the cabinet issues a completion certificate. While
16 the sequestration operator has ownership, the sequestration operator is liable for any
17 damage the carbon dioxide may cause, including damage caused by carbon dioxide
18 that escapes from the sequestration facility.

19 ➔SECTION 13. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
20 READ AS FOLLOWS:

21 (1) The cabinet may issue a completion certificate upon application by the
22 sequestration operator demonstrating compliance with Sections 1 to 24 of this Act
23 at one (1) of the following times:

- 24 (a) Fifty (50) years after carbon dioxide injections into a reservoir end; or
25 (b) At any other time frame established on a site-specific basis by administrative
26 regulations promulgated pursuant to KRS Chapter 13A regarding the time
27 frame for a sequestration operator's post-injection site care and site closure

1 plan.

2 (2) The completion certificate shall only be issued:

3 (a) After public notice and hearing; and

4 (b) If the sequestration operator demonstrates that:

5 1. The operator is in full compliance with all laws and other
6 requirements governing the sequestration facility, including without
7 limitation, the requirements of any Class VI underground injection
8 control permit associated with the facility and other applicable
9 requirements;

10 2. All pending claims regarding the sequestration facility's operation
11 have been addressed and resolved; and

12 3. The carbon dioxide injected into the sequestration reservoir has
13 stabilized, and the reservoir is reasonably expected to retain the stored
14 carbon dioxide.

15 (3) As of the effective date of a completion certificate:

16 (a) Ownership of the stored carbon dioxide shall transfer by operation of law,
17 without payment of any compensation, to the Commonwealth;

18 (b) The pore space and surface owners shall be held harmless against all
19 claims arising from stored carbon dioxide, and the Commonwealth shall
20 defend the pore space and surface owners against all claims, except that a
21 pore space or surface owner may be liable for causing or contributing to
22 migration or release of stored carbon dioxide from the reservoir. The
23 liability of the Commonwealth for any claim shall not obligate payment of
24 any damages in excess of the balance of the carbon dioxide sequestration
25 facility trust fund established in Section 16 of this Act;

26 (c) The sequestration operator and all persons who transported or generated
27 any stored carbon dioxide shall be released from all regulatory liability and

1 regulatory requirements associated with the sequestration facility, provided
 2 that the sequestration operator shall not be released from regulatory
 3 liability for fraud or misrepresentation, nor from any liability existing at
 4 common law; and

5 (d) The Commonwealth's responsibility for monitoring and managing the
 6 sequestration facility following issuance of the completion certificate and
 7 assumption of ownership of the sequestered carbon dioxide shall be funded
 8 from the carbon dioxide sequestration facility trust fund established in
 9 Section 16 of this Act until and unless the federal government assumes
 10 responsibility for the long-term monitoring and management of
 11 sequestration facilities.

12 (4) The cabinet shall require that a copy of the completion certificate and a survey of
 13 the sequestration field be filed with the county clerk in the county or counties
 14 where the carbon dioxide sequestration facility is located.

15 ➔SECTION 14. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
 16 READ AS FOLLOWS:

17 (1) There is hereby created in the State Treasury an interest-bearing, restricted,
 18 agency account to be known as the carbon dioxide sequestration facility
 19 administrative fund. All amounts required to be deposited into the fund shall not
 20 be segregated into separate accounts but may be used by the cabinet as provided
 21 in this section for any carbon dioxide sequestration project. Notwithstanding KRS
 22 45.229, any balance remaining in the fund at the end of any fiscal year shall not
 23 lapse but shall be carried forward for the purposes of the fund until expended.
 24 Expenditures from the fund shall be made by the cabinet for the purposes of:

25 (a) Payment of all expenses of the cabinet in processing Class VI permits and
 26 certificate applications;

27 (b) Regulating sequestration facilities during their construction, operation, and

1 pre-closure phases; and
2 (c) Certifying the sequestration amount determinations under Section 18 of this
3 Act.

4 (2) The secretary may:

5 (a) Enter into a cooperative agreement with another government agency to
6 carry out regulatory responsibilities over a sequestration facility on behalf
7 of the Commonwealth; and

8 (b) Compensate the government agency for its expenses with money from the
9 fund.

10 ➔SECTION 15. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
11 READ AS FOLLOWS:

12 (1) Class VI permit applicants shall pay an application fee to the cabinet. The
13 application fee established on the fee schedule developed under Section 24 of this
14 Act shall be calculated to ensure sufficient funds are available for the actual or
15 anticipated cost to the cabinet for the review of the application.

16 (2) Sequestration operators shall pay an annual administrative fee to the cabinet.
17 The administrative fee established on the fee schedule developed under Section
18 24 of this Act shall be calculated to ensure sufficient funds are available for the
19 actual or anticipated cost to the cabinet for the regulation of sequestration
20 facilities.

21 (3) Sequestration operators seeking completion certificates shall pay the cabinet a fee
22 established on the fee schedule developed under Section 24 of this Act. The fee
23 shall be calculated to ensure sufficient funds are available for the actual or
24 anticipated cost to the cabinet for the review of the permit and records relating to
25 the operation of the sequestration facility to determine eligibility for issuance of
26 the completion certificate.

27 (4) The application and completion certificate fees shall be deposited in the carbon

1 dioxide sequestration facility administrative fund established in Section 14 of this
2 Act.

3 ➔SECTION 16. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
4 READ AS FOLLOWS:

5 (1) There is hereby created in the State Treasury an interest-bearing, restricted,
6 agency account to be known as the carbon dioxide sequestration facility trust
7 fund. Moneys in the fund shall be used for:

8 (a) The long-term monitoring and management of sequestration facilities prior
9 to closure, plugging, and abandonment of all monitoring wells in the event
10 of operator default;

11 (b) Expenses associated with the long-term monitoring and management after
12 issuance of a completion certificate; and

13 (c) Determining the causes and remediating the effects of any releases or
14 environmental emergencies associated with sequestration facilities.

15 (2) All amounts required to be deposited into the fund shall not be segregated into
16 separate accounts but may be used by the cabinet as provided in this section for
17 any carbon dioxide sequestration project. Notwithstanding KRS 45.229, any
18 balance remaining in the fund at the end of any fiscal year shall not lapse but
19 shall be carried forward to carry out the purposes of the fund until fully
20 expended.

21 (3) The secretary may:

22 (a) Enter into a cooperative agreement with another government agency to
23 carry out regulatory responsibilities over a sequestration facility on behalf
24 of the Commonwealth; and

25 (b) Compensate the government agency for its expenses with money from the
26 fund.

27 ➔SECTION 17. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) Sequestration operators shall pay the cabinet a fee on each ton of carbon dioxide
3 injected for sequestration. The fee shall be paid at the time of injection and
4 deposited into the carbon dioxide sequestration facility trust fund established in
5 Section 16 of this Act. The fee shall be calculated to ensure sufficient funds are
6 available for the actual or anticipated cost of:

7 (a) Long-term monitoring and management of sequestration facilities; and

8 (b) The effects of any releases or environmental emergencies associated with
9 the sequestration facilities.

10 (2) On or before December 31 of the first year in which the cabinet receives its first
11 application for a Class VI underground injection control permit and each
12 December 31 thereafter, the cabinet shall prepare and make publicly available an
13 annual report on the carbon dioxide sequestration facility trust fund established
14 in Section 16 of this Act that includes, at a minimum, information on receipts,
15 disbursements, and projections for meeting the fund's objectives in Section 16 of
16 this Act. The purpose of the report is to determine the sufficiency of fees
17 authorized in Section 24 of this Act.

18 ➔SECTION 18. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
19 READ AS FOLLOWS:

20 (1) The cabinet shall, upon request of an operator, certify the amount of injected
21 carbon dioxide demonstrated to have been stored in a reservoir that has been or is
22 being used for a Class II well in an enhanced oil or gas recovery project. Upon
23 request of an operator, the cabinet may also certify the amount of injected carbon
24 dioxide sequestered under Sections 1 to 24 of this Act.

25 (2) The amounts determined by the cabinet under subsection (1) of this section may
26 be used for such matters as establishing the amounts of carbon credits,
27 allowances, trading, emissions allocations, offsets, and for other similar

1 purposes.

2 (3) A person requesting a certification of a sequestration determination shall pay the
3 cabinet a certification fee as authorized in Section 24 of this Act. The fee shall be
4 calculated to ensure sufficient funds are available for the actual or anticipated
5 cost to the cabinet to provide the certifications described in subsection (1) of this
6 section.

7 (4) Any fees the cabinet receives to provide the certifications described in subsection
8 (1) of this section shall be deposited into the carbon dioxide sequestration facility
9 administrative fund established in Section 14 of this Act.

10 ➔SECTION 19. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
11 READ AS FOLLOWS:

12 Sections 1 to 24 of this Act shall not be construed as altering the respective legal rights
13 or relationship between the severed mineral estate and a pore space owner as they exist
14 at common law.

15 ➔SECTION 20. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
16 READ AS FOLLOWS:

17 (1) If a sequestration operator is unable, after reasonable effort, to obtain the
18 consent of all pore space owners within a proposed reservoir for an underground
19 carbon dioxide sequestration facility, the cabinet may on petition satisfying the
20 conditions established in this section, issue an order that the identified pore space
21 owned by nonconsenting owners be included in a sequestration facility for the
22 purpose of geologic sequestration of carbon dioxide pursuant to subsection (5) of
23 this section.

24 (2) The Class VI permit applicant shall negotiate in good faith with the pore space
25 owners and acquire rights needed to access the pore space.

26 (3) Except for temporary access in cases of emergency, the cabinet shall not allow
27 any surface disturbance on any surface tract or tracts overlying the pore space of

1 a nonconsenting owner.

2 (4) The sequestration operator shall provide a list to the cabinet of all persons
3 reasonably known to own an interest in pore space proposed to be included in the
4 reservoir.

5 (5) (a) If the applicant or operator cannot reach an agreement with the owners of
6 the pore space acreage in a proposed reservoir, but has secured written
7 consent for at least seventy-five percent (75%) of the pore space acreage in
8 the proposed reservoir, all the pore space in the sequestration reservoir shall
9 be declared to be included within the proposed sequestration facility if the
10 cabinet finds that the requirements of this section have been met.

11 (b) For the purposes of this section, the interests of any unknown or missing
12 pore space owners may be declared to be included through the pooling
13 order provided reasonable effort to locate and notify the owners has been
14 made and the sequestration operator has complied with the publication
15 requirements of subsection (7) of this section. A pooling order shall be made
16 only after the cabinet provides notice to all pore space owners proposed to
17 be included within the order.

18 (6) The applicant shall pay to the cabinet all costs associated with the conduct of the
19 administrative hearing as assessed in the pooling order. The payment shall be
20 made prior to the pooling order becoming effective. These funds shall be
21 deposited into the carbon dioxide sequestration facility administrative fund
22 established in Section 14 of this Act.

23 (7) If the proposed pooling order concerns pore space with unknown or missing
24 owners, the sequestration operator shall, after reasonable efforts to locate the
25 pore space owners, publish one (1) notice in the newspaper of the largest
26 circulation in each county in which the pore space is located. The notice shall
27 appear no more than forty-five (45) days nor less than thirty (30) days prior to the

- 1 initial application for the pooling order. The applicant shall file proof of notice
2 with the cabinet concurrently with the application. The notice shall:
- 3 (a) State that an application for a pooling order has been filed with the cabinet;
4 (b) Describe the property under which the pore space proposed to be collectively
5 used is located;
6 (c) In the case of an unknown pore space owner, indicate the name of the last
7 known owner;
8 (d) In the case of a missing pore space owner, identify the owner and the
9 owner's last known address; and
10 (e) State that any person claiming an interest in the pore space proposed to be
11 collectively used shall notify the cabinet and the Class VI permit applicant
12 at the published address within twenty (20) days of the publication date.
- 13 (8) A pooling order shall authorize the injection and sequestration of carbon dioxide
14 beneath the tract or portion thereof. The pooling order shall identify the
15 compensation to be paid to unknown, missing, and nonconsenting pore space
16 owners and the basis for valuation of the collective interest. The cabinet may
17 consider evidence submitted by nonconsenting pore space owners as to the
18 valuation of their interest.
- 19 (9) Except for temporary access in cases of emergency, the pooling order issued by
20 the cabinet shall not authorize any surface entry or surface disturbance by the
21 permittee on any surface tract or tracts overlying the pore space of a
22 nonconsenting, missing, or unknown owner.
- 23 (10) A certified copy of any pooling order and a survey of the sequestration field shall
24 be maintained by the cabinet.
- 25 (11) If the cabinet or US EPA requires a seismic survey of lands owned by the
26 nonconsenting surface owner and an operator is unable to reasonably obtain by
27 negotiation with a property owner the right to conduct seismic surveys on lands

1 owned by the nonconsenting surface owner, then:

2 (a) The cabinet may issue an order allowing the operator to conduct a seismic
3 survey of the lands owned by the nonconsenting surface owner from outside
4 the boundaries of the lands owned by the nonconsenting surface owner;

5 (b) The operator shall, prior to conducting the survey, pay the surface owner
6 just and reasonable compensation as established by the cabinet; and

7 (c) Any data obtained by the operator through a seismic survey of the lands
8 owned by a nonconsenting surface owner shall be held as confidential and
9 shall be used only by the permittee, the cabinet, and US EPA for the
10 purpose of satisfying statutory or regulatory requirements.

11 (12) Except for the authorized persons and circumstances in subsection (11) of this
12 section, any person disclosing confidential seismic survey data may be liable to
13 the nonconsenting surface owner as provided under law.

14 (13) The operator shall defend, indemnify, and hold harmless the property owner for
15 all claims arising out of any surface or subsurface entry onto the property by the
16 operator, its contractors, and its agents, except those claims arising from the
17 intentional acts of a property owner.

18 ➔SECTION 21. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
19 READ AS FOLLOWS:

20 (1) The sequestration operator shall deposit the funds due to unknown or missing
21 pore space owners in an interest-bearing trust account.

22 (2) If the unknown or missing pore space owners remain unknown or missing for a
23 period of seven (7) years from the date of first injection into the sequestration
24 reservoir, the sequestration operator shall pay the funds held in trust to the
25 surface owners of the tract overlying the pore space owned by the unknown or
26 missing pore space owners.

27 (3) If a surface owner remains missing or unknown for a period of seven (7) years

1 from the date of first injection into the sequestration reservoir, the sequestration
2 operator shall deposit the funds held in trust to the carbon dioxide sequestration
3 facility trust fund established in Section 16 of this Act.

4 ➔SECTION 22. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
5 READ AS FOLLOWS:

6 If any provision of Sections 1 to 24 of this Act or its application to any person or
7 circumstances is held invalid, the invalidity does not affect other provisions or
8 applications of Sections 1 to 24 of this Act which can be given effect without the invalid
9 provision or application, and to this end the provisions of Sections 1 to 24 of this Act
10 are severable.

11 ➔SECTION 23. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
12 READ AS FOLLOWS:

13 (1) (a) If a person or operator fails to comply with the requirements of Sections 1
14 to 24 of this Act or any administrative regulation or order promulgated or
15 issued thereunder, the cabinet shall issue a notice of noncompliance to the
16 person or operator and serve the notice in accordance with subsection (5) of
17 this section. The notice shall specify the nature of the violation, the
18 remedial action required to abate the violation, and the period of time set by
19 the cabinet for abatement of the violation.

20 (b) If a person or operator fails to abate the violation within the time prescribed
21 in the notice, the cabinet shall issue a failure to abate cessation order to the
22 person or operator and serve the notice in accordance with subsection (5) of
23 this section. The order shall:

24 1. Require the person or operator to immediately complete remedial
25 actions to abate the violation described in the notice and to cease any
26 underground injection activity at the sequestration facility or site
27 where the violation is occurring; and

1 2. Remain in effect until the violation has been abated or the order is
2 vacated or terminated in writing by the cabinet.

3 (c) The cabinet shall issue a forfeiture order and order the financial
4 responsibility instruments covering the sequestration facility be forfeited to
5 the cabinet if:

6 1. An agreement has not been reached with the cabinet regarding the
7 alleged failure to comply with the notice to abate the violation; and

8 2. The director determines the operator has not complied with the
9 requirements set forth in the notice of noncompliance or the failure to
10 abate cessation order.

11 (d) The forfeiture order shall become effective thirty (30) days after the cabinet
12 gives the operator notice of the order, unless a petition has been filed
13 pursuant to KRS 353.700, in which case the forfeiture order shall become
14 effective only upon a final determination of the secretary affirming the
15 forfeiture order following the conclusion of the petition process.

16 (2) (a) In addition to a notice of noncompliance or failure to abate cessation order
17 issued pursuant to subsection (1) of this section, the cabinet may issue a
18 closure order to any person or operator where:

19 1. A sequestration facility is in violation of Sections 1 to 24 of this Act or
20 any administrative regulation or order promulgated or issued
21 thereunder, and the violation creates an imminent danger to the
22 health or safety of the public or is causing or can be reasonably
23 expected to cause significant imminent environmental harm; or

24 2. A sequestration facility is in operation by any person without first
25 posting financial responsibility and obtaining written approval of the
26 cabinet.

27 (b) The closure order shall be affixed by a red tag marker at the conspicuous

1 location at the facility with a letter of violation and a copy of the closure
2 order mailed to the address of record for the responsible person or operator,
3 if an address is on file with the cabinet. The letter of violation and closure
4 order shall notify the person or operator to immediately:

- 5 1. Cease operation of the sequestration facility; and
- 6 2. Abate the violation.

7 (c) Any person operating a sequestration facility under the circumstances
8 described in paragraph (a)2. of this subsection may be ordered to either
9 submit financial responsibility and obtain transfer of the facility or
10 complete final reclamation and site closure for the facility, but the order
11 does not relieve any prior obligation owed by the current operator of record.
12 The closure order may be appealed pursuant to KRS 353.700 within thirty
13 (30) days of issuance. Any person or operator that fails to comply with a
14 closure order issued pursuant to this section shall be subject to a civil and
15 criminal penalty under KRS 353.990.

16 (3) (a) A copy of:

- 17 1. All enforcement documents under this section shall be served on the
18 surface and pore space owner, if they are different from the property
19 owner, where the violation occurred; and
- 20 2. The notice, at the time of issuance, shall be delivered to the
21 complaining party if he or she is different from the operator, and if the
22 enforcement document arises out of a citizen complaint.

23 (b) Resolution of the enforcement action issued under this section shall require
24 reimbursement of costs incurred by the cabinet.

25 (4) When it appears that any person is violating or threatening to violate any
26 provision of Sections 1 to 24 of this Act or any rule, administrative regulation, or
27 order promulgated or issued thereunder, the cabinet may bring suit to restrain the

1 person from continuing the violation or from carrying out the threatened
2 violation. A suit brought under this subsection shall:

3 (a) Be filed in the:

4 1. Franklin Circuit Court;

5 2. Circuit Court of the county in which the violation occurred or is
6 threatened; or

7 3. Circuit Court of the county in which the defendant resides or in which
8 any defendant resides if there is more than one (1) defendant; and

9 (b) Give the court jurisdiction to grant without bond or other undertaking the
10 prohibitory or mandatory injunction, as the facts may warrant, including a
11 temporary restraining order or injunction.

12 (5) (a) Service of any notice or order issued under this section shall be:

13 1. Handed to the person in charge of the sequestration facility;

14 2. Sent by certified mail, return receipt requested, addressed to the
15 permanent address shown on the application for a permit;

16 3. Sent by electronic mail to the address shown on the permit application
17 or to an address provided to the cabinet voluntarily; or

18 4. Sent by certified or electronic mail to the address known to the
19 cabinet, if no address is shown on the application for a permit or the
20 address is no longer valid.

21 (b) Service in accordance with paragraph (a)3. or 4. of this subsection shall be
22 effective upon delivery of the notice or the order to the recipient's inbox by
23 email and verification sent to the cabinet by an electronic registered receipt.

24 (6) The commencement of a proceeding pursuant to KRS 353.700 shall not operate
25 as a stay of a notice or order, including a notice or order that contains the
26 requirement to complete all remedial measures to abate the cited violation, issued
27 under this section. A party served with a notice or order under this section may

1 request a stay of the notice or order by filing a written petition for temporary
 2 relief with the cabinet's Office of Administrative Hearings. A hearing on the
 3 petition shall occur within ten (10) days of the office's receipt of the petition for
 4 temporary relief unless the petitioner waives this requirement. The hearing
 5 officer shall render a decision on the petition for temporary relief within three (3)
 6 working days of the hearing. A party aggrieved by the decision of the hearing
 7 officer may file a written request for review by the secretary. Temporary relief
 8 may be granted from a notice or order issued under this section if:

9 (a) The person requesting relief shows that there is substantial likelihood that
 10 the findings on the merits in an administrative hearing conducted by the
 11 cabinet will be favorable to the person; and

12 (b) The relief will not adversely affect the public health or safety or cause
 13 significant imminent environmental harm to land, air, or water resources.

14 (7) (a) If the cabinet fails to bring suit to enjoin a violation or threatened violation
 15 of any provision of Sections 1 to 24 of this Act or any rule, administrative
 16 regulation, or order promulgated or issued thereunder within ten (10) days
 17 after receipt of a written request to do so by any person who is or will be
 18 adversely affected by the violation, the person making the request may bring
 19 suit to restrain the violation or threatened violation in any court in which
 20 the cabinet might have brought suit.

21 (b) The cabinet shall be made a party defendant in the suit in addition to the
 22 person allegedly violating or threatening to violate a provision of Sections 1
 23 to 24 of the Act, or any rule, administrative regulation, or order
 24 promulgated or issued thereunder.

25 ➔SECTION 24. A NEW SECTION OF KRS CHAPTER 353 IS CREATED TO
 26 READ AS FOLLOWS:

27 (1) In addition to the powers conferred upon the cabinet in other provisions of

1 Sections 1 to 24 of this Act, the cabinet may develop, promulgate, and submit for
2 approval a regulatory program for the purpose of accepting primary
3 responsibility for the administration of the underground injection control
4 program under 42 U.S.C. sec. 300h et seq. The cabinet shall include in any
5 regulatory program developed in administrative regulations promulgated in
6 accordance with KRS Chapter 13A:

7 (a) Regarding the plugging, conversion, maintenance, monitoring, and
8 abandonment of Class VI wells, measures to protect underground sources
9 of drinking water and to prevent their endangerment;

10 (b) A prohibition of underground injection through Class VI wells, except as
11 authorized by a Class VI permit issued pursuant thereto;

12 (c) The details of the requirements for a permit application, including:

13 1. Site characterization;

14 2. Operation of injection wells;

15 3. A permitting process, including detailed time frames and methods to
16 modify and transfer permits;

17 4. Comprehensive monitoring that addresses all aspects of well integrity,
18 carbon dioxide injection and sequestration, and air and groundwater
19 quality during the injection operation and the post-injection site care
20 period;

21 5. Financial responsibility ensuring the availability of funds for the life
22 of a carbon dioxide sequestration project, including post-injection site
23 care and emergency response; and

24 6. Reporting and recordkeeping that provide project-specific information
25 to evaluate the site operations and ensure environmental protection;

26 (d) The criteria for reviewing compliance with eligibility requirements in
27 subsection (12) of Section 4 of this Act and procedures for restoration of

1 eligibility for a permit;

2 (e) The requisite features of the Class VI underground injection control
3 program including those for the:

4 1. Administration of the carbon dioxide sequestration facility
5 administration fund established in Section 14 of this Act;

6 2. Issuance of determinations that certify the amount of carbon dioxide
7 stored pursuant to individual Class VI underground injection control
8 permits issued for that purpose, based upon requests for sequestration
9 determination;

10 3. Issuance of pooling orders as part of the development of a proposed
11 carbon dioxide sequestration project;

12 4. Issuance of completion certificates; and

13 5. Requirement for owners or operators of Class VI underground
14 injection control wells to demonstrate financial responsibility for the
15 cost of closing all Class VI underground injection control wells. The
16 demonstration of financial responsibility may include but is not be
17 limited to the qualifying instruments required by Section 4 of this Act;

18 (f) The requirements for reasonable public notice and public participation for:

19 1. Applications for Class VI underground injection control permits;

20 2. Applications for drilling permits;

21 3. Issuance of a completion certificate; and

22 4. Unknown or missing owners; and

23 (g) A schedule of fees to be assessed on applicants and operators. The fees shall
24 cover all costs to the cabinet for administering the underground injection
25 control program. The schedule of fees shall be reviewed and amended as
26 necessary to ensure that the underground injection control program is fully
27 funded at all times. The cabinet may collect application fees for the drilling

1 of wells for use as Class VI wells prior to delegation of authority by the US
 2 EPA.

3 (2) Administrative regulations promulgated pursuant to this section to allow for
 4 assumption of primary responsibility for administration of the underground
 5 injection control program under 42 U.S.C. sec. 300h et seq. shall conform to the
 6 standards and procedures established by US EPA for Class VI wells.

7 (3) Any administrative regulations promulgated pursuant to Sections 1 to 24 of this
 8 Act shall be:

9 (a) Promulgated in accordance with KRS Chapter 13A; and

10 (b) Deemed to be necessary to prevent the loss of federal or state funds for the
 11 purposes of KRS 13A.105.

12 (4) (a) Any order or final determination of the cabinet that is issued pursuant to
 13 Sections 1 to 24 of this Act shall be subject to review in accordance with
 14 KRS 353.700 and any administrative regulation promulgated thereunder.

15 (b) As used in this subsection, "order or final determination" includes but is
 16 not limited to the issuance, denial, modification, or revocation of a permit,
 17 but does not include the issuance of a letter identifying deficiencies in an
 18 application for a permit or other nonfinal determinations.

19 ➔Section 25. The following KRS sections are repealed:

20 353.800 Definitions for KRS 353.800 to 353.812.

21 353.802 Legislative findings and declarations relating to geologic storage of carbon
 22 dioxide.

23 353.804 Jurisdiction and authority over geologic storage of carbon dioxide --
 24 Application for and approval of demonstration projects -- Cabinet to testify
 25 annually on program's development.

26 353.806 Negotiations between storage operators and pore space owners -- Hearings and
 27 findings preceding pooling of pore space -- Carbon dioxide wells exempt -- Review

- 1 under KRS 353.700.
- 2 353.808 Pooling orders -- Requirements for contents of order and notice -- Fees --
- 3 Recording of pooling orders with county clerks -- Review under KRS 353.700.
- 4 353.810 Carbon injection wells to be closed and plugged after completion of active
- 5 injection -- Monitoring for leaking and migration -- Transfer of ownership and
- 6 liability of storage facilities -- Finance and Administration Cabinet to effect
- 7 transfer.
- 8 353.812 Cabinet and bordering states to discuss and develop unified approach to
- 9 subsurface migration -- Reports to Governor and Legislative Research Commission.