

HOUSE BILL NO. HB0120

Energy product reclassification and sovereignty act.

Sponsored by: Representative(s) Campbell, K

A BILL

for

1 AN ACT relating to administration of the government;
 2 providing duties for the Wyoming energy authority;
 3 providing for the establishment of industrial sovereign
 4 zones to encourage the production of value-added
 5 manufactured products using natural gas; authorizing a
 6 board of county commissioners to nominate an area as an
 7 industrial sovereign zone; providing legislative findings;
 8 providing for certification of value-added manufactured
 9 processes; providing for an expedited licensing and permit
 10 process; providing tax exemptions; making conforming
 11 amendments; providing appropriations; and providing for an
 12 effective date.

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14 *Be It Enacted by the Legislature of the State of Wyoming:*

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1 **Section 1.** W.S. 9-20-201 through 9-20-204 are created
2 to read:

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4

ARTICLE 2

5

ENERGY PRODUCT RECLASSIFICATION AND SOVEREIGNTY ACT

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9-20-201. Legislative findings.

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(a) The legislature finds that:

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(i) Hostile legislative mandates in other jurisdictions constitutes an unconstitutional burden on Wyoming's interstate commerce;

(ii) Wyoming possesses unique mineral wealth that is subject to regional price suppression due to the actions of other jurisdictions;

(iii) By converting natural gas into value-added manufactured products in Wyoming, Wyoming can assert its right to engage in global trade by the distribution of products that can no longer be defined as fossil fuel feedstocks.

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2 **9-20-202. Definitions.**

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4 (a) As used in this article:

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6 (i) "Authority" means the Wyoming energy
7 authority;

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9 (ii) "Manufactured product" or "value-added
10 manufactured product" means natural gas that undergoes
11 substantial molecular transformation in Wyoming to produce
12 a new product;

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14 (iii) "Methane intensity" means the measure of
15 methane emissions relative to the natural gas that is
16 processed;

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18 (iv) "Substantial molecular transformation"
19 includes, without limitation:

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21 (A) The thermal decomposition of natural
22 gas into hydrogen and solid carbon, also known as methane
23 pyrolysis or turquoise hydrogen production;

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2 (B) The conversion of natural gas and
3 nitrogen into anhydrous ammonia, also known as ammonia
4 synthesis or blue or turquoise ammonia production;

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6 (C) Any other process that transforms
7 natural gas to produce hydrogen, ammonia or another
8 valuable product that is chemically distinct from methane
9 or from other gasses that are part of the natural gas
10 stream including carbon dioxide, nitrogen, hydrogen sulfide
11 and helium.

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13 **9-20-203. Industrial sovereign zones.**

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15 (a) A board of county commissioners may nominate an
16 area within its jurisdiction as an industrial sovereign
17 zone. Two (2) or more counties may jointly nominate a
18 contiguous or related area as a single sovereign zone. Each
19 county shall adopt a formal resolution approving the
20 nomination of an industrial sovereign zone under this
21 subsection. Nominations under this section shall be made in
22 the form required by the authority and shall include:

23

1 (i) A defined geographic boundary describing the
2 nominated industrial sovereign zone;

3
4 (ii) Evidence of access to natural gas or coal
5 resources;

6
7 (iii) Information required by the authority to
8 evaluate the suitability of the area for the production of
9 value-added manufactured products under this article.

10
11 (b) The authority shall establish an industrial
12 sovereign zone in an area nominated as an industrial
13 sovereign zone under subsection (a) of this section if the
14 authority determines there is an opportunity for the
15 production and distribution of value-added manufactured
16 products due to a reduced price paid for sales of natural
17 gas in that area or other factors determined by the
18 authority. The authority may modify the boundaries of an
19 industrial sovereign zone by decreasing the size of the
20 zone as determined necessary by the authority. The
21 boundaries of an industrial sovereign zone shall not be
22 enlarged unless each affected county formally consents to
23 the enlargement of the zone outside of the boundaries

1 defined in the nomination under subsection (a) of this
2 section.

3

4 (c) For any industrial sovereign zone established
5 under subsection (b) of this section, the following shall
6 apply:

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8 (i) Any person seeking to establish a facility
9 for the production of a value-added manufactured product in
10 the industrial sovereign zone:

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12 (A) May apply to the authority for
13 assistance in establishing the facility including, without
14 limitation, identification and assistance in complying with
15 state licensing applications or requirements;

16

17 (B) Shall be eligible for the expedited
18 permit process as provided by W.S. 35-11-109(a) (xvi).

19

20 (ii) If a facility is established for the
21 production of a value-added manufactured product in the
22 zone, machinery sold or purchased for use in the facility

1 shall be eligible for the tax exemptions under W.S.
2 39-15-105(a)(viii)(O)(V) and 39-16-105(a)(viii)(D)(V);

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4 (iii) Any producer of natural gas that is sold
5 to a facility established for the production of a
6 value-added manufactured product in the zone or that is
7 otherwise consumed for the production of a value-added
8 manufactured product in the zone shall be eligible for the
9 tax exemption under W.S. 39-14-205(q).

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11 **9-20-204. Gold standard certification.**

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13 (a) The authority shall establish standards of
14 certification for any value-added manufactured product that
15 is produced in Wyoming to promote the special attributes of
16 the manufactured product. The authority shall establish a
17 certification for any manufactured product that certifies
18 that the product is a gold standard Wyoming product if the
19 producer of the manufactured product demonstrates that the
20 product is produced with not more than two-tenths percent
21 (0.2%) methane intensity.

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1 (b) The use of any certification standards
2 established under subsection (a) of this section by any
3 producer of a manufactured product shall be on a voluntary
4 basis. The authority may collect fees on an annual basis,
5 not exceeding the cost of administering the certification
6 program under subsection (a) of this section, from
7 producers participating in the voluntary certification
8 program. Any fees collected under this subsection may be
9 retained by the authority and shall only be expended to
10 administer the certification program under subsection (a)
11 of this section.

12

13 (c) The authority may suspend or revoke a
14 certification granted under this section if the recipient
15 of the certification fails to meet all of the requirements
16 adopted by the authority.

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18 **Section 2.** W.S. 35-11-109(a) by creating a new
19 paragraph (xvi), 37-5-503 by creating a new subsection (k),
20 39-14-204(a)(iv), 39-14-205 by creating a new subsection
21 (q), 39-15-105(a)(viii)(O) and by creating new subdivisions
22 (IV) and (V) and 39-16-105(a)(viii)(D) and by creating new
23 subdivisions (IV) and (V) are amended to read:

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35-11-109. Powers and duties of director.

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(a) In addition to any other powers and duties imposed by law, the director of the department shall:

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37-5-503. Purposes; report.

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(k) The authority shall administer the energy product reclassification and sovereignty act as created by W.S.

1 9-20-201 through 9-20-204. The authority, consistent with
2 the purposes of this section, may take any action necessary
3 to encourage the production of value-added manufactured
4 products as defined in W.S. 9-20-202(a)(ii).

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6 **39-14-204. Tax rate.**

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8 (a) Except as otherwise provided by this section and
9 W.S. 39-14-205, the total severance tax on crude oil, lease
10 condensate or natural gas shall be six percent (6%),
11 comprising one and one-half percent (1.5%) imposed by the
12 Wyoming constitution article 15, section 19 and the
13 remaining amount imposed by Wyoming statute. The tax shall
14 be distributed as provided in W.S. 39-14-211 and is imposed
15 as follows:

16
17 (iv) Two percent (2%), and except as provided in
18 W.S. 39-14-205(n) and (q).

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20 **39-14-205. Exemptions.**

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22 (q) Natural gas that is consumed in an industrial
23 sovereign zone established under W.S. 9-20-203 for the

1 production of a value-added manufactured product as defined
2 in W.S. 9-20-202(a)(ii) shall be exempt from the severance
3 taxes imposed by W.S. 39-14-204(a)(iv).

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5 **39-15-105. Exemptions.**

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7 (a) The following sales or leases are exempt from the
8 excise tax imposed by this article:

9
10 (viii) For the purpose of exempting sales of
11 services and tangible personal property as an economic
12 incentive, the following are exempt:

13
14 (0) The sale or lease of machinery to be
15 used in this state directly and predominantly in
16 manufacturing as follows:

17
18 (IV) Until December 31, 2042, the sale
19 or lease of machinery to be used in this state directly and
20 predominantly in manufacturing tangible personal property;

21
22 (V) The sale or lease of machinery to
23 be used in an industrial sovereign zone established under

1 W.S. 9-20-203 and used directly and predominantly in the
2 production of a value-added manufactured product as defined
3 in W.S. 9-20-202(a)(ii).

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5 **39-16-105. Exemptions.**

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7 (a) The following purchases or leases are exempt from
8 the excise tax imposed by this article:

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10 (viii) For the purpose of exempting sales of
11 services and tangible personal property as an economic
12 incentive, the following are exempt:

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14 (D) The purchase or lease of machinery to
15 be used in this state directly and predominantly in
16 manufacturing as follows:

17
18 (IV) Until December 31, 2042, the
19 purchase or lease of machinery to be used in this state
20 directly and predominantly in manufacturing tangible
21 personal property;

22

1 (V) The purchase or lease of machinery
2 to be used in an industrial sovereign zone established
3 under W.S. 9-20-203 and used directly and predominantly in
4 the production of a value-added manufactured product as
5 defined in W.S. 9-20-202(a)(ii).

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7 **Section 3.** If nominated by the board of county
8 commissioners under W.S. 9-20-203(a) as created by section
9 1 of this act, the Wyoming energy authority shall first
10 consider establishing an industrial sovereign zone under
11 W.S. 9-20-203 as created by section 1 of this act in the
12 area of the Opal natural gas hub if the Wyoming energy
13 authority determines that the price of natural gas that is
14 sold from the Opal natural gas hub is reduced compared to
15 other sales of natural gas in other areas of the United
16 States.

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18 **Section 4.**

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20 (a) There is appropriated one hundred eighty thousand
21 dollars (\$180,000.00) from the general fund to the Wyoming
22 energy authority for purposes of providing for personnel
23 expenses within the personal services series (100 series)

1 or through the contractual services series (900 series) as
2 necessary to implement this act. This appropriation shall
3 be for the period beginning with the effective date of this
4 act and ending June 30, 2028. This appropriation shall not
5 be transferred or expended for any other purpose and any
6 unexpended, unobligated funds remaining from this
7 appropriation shall revert as provided by law on June 30,
8 2028. It is the intent of the legislature that this
9 appropriation not be included in the Wyoming energy
10 authority's standard budget for the immediately succeeding
11 fiscal biennium.

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13 (b) There is appropriated forty-three thousand nine
14 hundred fifty-six dollars (\$43,956.00) from the general
15 fund to the Wyoming department of revenue for the purpose
16 of providing for contractual services (900 series) as
17 necessary to update systems to implement this act. This
18 appropriation shall be for the period beginning with the
19 effective date of this act and ending June 30, 2028. This
20 appropriation shall not be transferred or expended for any
21 other purpose and any unexpended, unobligated funds
22 remaining from this appropriation shall revert as provided
23 by law on June 30, 2028. It is the intent of the

1 legislature that this appropriation not be included in the
2 Wyoming department of revenue's standard budget for the
3 immediately succeeding fiscal biennium.

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5 **Section 5.** This act is effective immediately upon
6 completion of all acts necessary for a bill to become law
7 as provided by Article 4, Section 8 of the Wyoming
8 Constitution.

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(END)