

Improving Regulatory Oversight Over a Changing Energy Industry

Key Takeaways:

- RRC's Mainframe Transition Project is critical for agency success.
- New carbon capture and underground storage (CCUS) regulations justify additional personnel.
- Uptick in fluid waste recycling activity requires more FTEs.

Background:

The Railroad Commission is Texas' leading energy industry regulator. Rapid changes within the energy industry, consistent with Texas' on-going energy expansion, necessitate new appropriations to RRC to ensure effective regulatory oversight. These appropriations are critical for the Commission's oversight of carbon capture and underground storage and fluid waste recycling efforts. Further, continued legislative support is essential to the success of RRC's mainframe transition project.

Proposed Action:

- 1. Support Continued Appropriations for RRC's Mainframe Transition Project.** The Mainframe Transition Phase III in the Capital Budget is of critical importance to the agency. Texas 2036 supports agencies' IT modernization and transition away from legacy systems such as the antiquated mainframe currently in use at RRC. The \$21,475,647 million requested here is essential for the continuation of this project aimed to improve agency operations and data transparency. Given that the costs of these projects increase over time, and that this is a multi-biennia project for RRC, it may be worth asking if the project development and deployment could be accelerated if more appropriations are provided.
- 2. Support Rider #8 for Carbon Capture and Underground Storage (CCUS) Regulation.** Rider #8 in RRC's LAR seeks the appropriation of \$350,360 to the Anthropogenic Carbon Dioxide Storage Trust Fund. Previously, this fund had no balance. This rider is needed if the EPA approves RRC's application for CCUS primacy under the US Safe Drinking Water Act. Last month RRC approved rules for its Class VI well program for carbon capture and underground storage. Now that these rules have been approved, RRC must apply to the EPA for jurisdictional primacy. Hopefully, EPA will approve this application in the next year. If they do, that makes Rider #8 important so that the agency will have the appropriations in place to fund its CCUS permitting program.
- 3. Support Exceptional Item #2 for Fluid Waste Recycling Permitting.** Produced water recycling is growing in popularity as operators look for beneficial ways to reuse their wastewater as an alternative to underground injection. Exceptional Item #2 seeks four new FTEs and \$438,000 for processing commercial fluid waste recycling permits and post permitting activities. At a minimum, these appropriations are needed to allow the agency to keep track with the uptick in operator interest in produced water recycling. The agency may need more resources here, however. SB 601 (87R) established the Texas Produced Water Consortium. As the Legislature considers the recommendations from the Consortium's report, we may see an increase in produced water recycling activity by operators. While this exceptional item is needed for the timely processing of permit applications, more appropriated resources may be needed for a possible uptick in industry activity.