

JAN 25 2006

S.B. NO. 3162

A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is evidence
2 that the planet's climate is becoming warmer, with potentially
3 catastrophic effects on coastal areas and global weather
4 patterns. Many scientists suspect that a significant cause of
5 such warming is a man-made increase in emissions of greenhouse
6 gases, which trap heat inside the Earth's atmosphere.

7 In response to this situation, the United Nation's Kyoto
8 Protocol calls for international emission reductions of carbon
9 dioxide and five other greenhouse gases and emissions trading to
10 establish a market for reducing greenhouse gas emissions. The
11 United States has refused to support the Protocol, even though
12 it produces more greenhouse gases than any other country.
13 However, several states, including New York, New Jersey,
14 Delaware, Connecticut, Maine, New Hampshire, and Vermont, have
15 gone ahead and signed a plan setting Kyoto-style legal limits on
16 greenhouse gases from power stations.

17 The legislature further finds that the Chicago climate
18 exchange is the first major attempt in the United States at



1 establishing a market for reducing greenhouse gas emissions.
2 Also known as "carbon trading", the climate exchange offers
3 energy companies, manufacturers, and governments that reduce
4 their emissions of carbon dioxide and other greenhouse gases the
5 opportunity to make money while protecting the environment.
6 Funded by grants from the Chicago-based Joyce Foundation and
7 administered by Northwestern University's Kellogg Graduate
8 School of Management, the goal of the exchange is to implement a
9 voluntary pilot program for trading greenhouse gases in North
10 America, to be later expanded to include international sources.

11 A number of companies have already participated in
12 bilateral trades of greenhouse-gas emissions. Carbon-trading
13 transactions have already surpassed \$100,000,000, according to
14 the exchange. Economists believe that annual trading volume
15 could eventually run into the tens of billions.

16 Today, the exchange is also active in the European Energy
17 Trading Scheme through the European climate exchange. The
18 European climate exchange offered the first quoted and cleared
19 product for European carbon and began trading futures on the
20 International Petroleum Exchange in April 2005. Within four
21 months, European carbon has established itself as the leading
22 exchange-traded product in the field, with a volume of more than



1 twenty-four million metric tons of carbon dioxide. European
2 climate exchange futures have become the premier product for
3 trading carbon in Europe.

4 The legislature finds that benefits of participation in the
5 Chicago climate exchange include: reducing the long-term costs
6 of controlling greenhouse gases; receiving financial benefits
7 from environmentally sustainable practices, including reduced
8 energy costs and raised productivity; and enhancing
9 environmental leadership reputation among stockholders,
10 customers, and employees.

11 The legislature further finds that there is a need to
12 establish a renewable energy credits trading program in Hawaii,
13 both to enable the State to participate in the Chicago climate
14 exchange and to ensure compliance with the State's renewable
15 portfolio standards, which require a certain proportion of
16 electricity sold by each supplier in Hawaii to come from
17 renewable sources.

18 Accordingly, the purposes of this Act are to:

- 19 (1) Require the public utilities commission to establish a
20 renewable energy credits trading program in Hawaii to
21 ensure compliance with the State's renewable portfolio
22 standards; and



1 (2) Require the department of business, economic
2 development, and tourism to investigate the
3 feasibility of Hawaii becoming a member of the Chicago
4 climate exchange, to generate needed revenue for the
5 State while helping to improve the environment.

6 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
7 amended by adding a new section to part V to be appropriately
8 designated and to read as follows:

9 "§269- Renewable energy credits trading program. (a)

10 The commission shall establish a renewable energy credits
11 trading program pursuant to this section. Any electric utility
12 company that does not satisfy the renewable portfolio standard
13 requirements of section 269-92 by directly owning or purchasing
14 capacity using renewable energy technologies shall purchase
15 sufficient renewable energy credits to satisfy the requirements
16 by holding renewable energy credits in lieu of capacity from
17 renewable energy technologies.

18 (b) The commission shall adopt rules pursuant to chapter
19 91 as may be necessary to administer and enforce this section.

20 At a minimum, the rules shall:

21 (1) Establish the minimum annual renewable energy
22 requirement for each electric utility company



1 operating in this State in a manner reasonably
2 calculated by the commission to produce, on a
3 statewide basis, compliance with the requirement
4 prescribed by subsection (a); and
5 (2) Specify reasonable performance standards that all
6 renewable capacity additions must meet to count
7 against the requirement prescribed by subsection (a)
8 and that:
9 (A) Are designed and operated so as to maximize the
10 energy output from the capacity additions in
11 accordance with then-current industry standards;
12 and
13 (B) Encourage the development, construction, and
14 operation of new renewable energy projects at
15 those sites in this State that have the greatest
16 economic potential for capture and development of
17 this State's environmentally beneficial renewable
18 resources.
19 (c) As used in this section, "renewable energy technology"
20 means any technology that exclusively relies on an energy source
21 that is naturally regenerated over a short time and derived
22 directly from the sun, indirectly from the sun, or from moving



1 water or other natural movements and mechanisms of the
2 environment. Renewable energy technologies includes solar,
3 wind, geothermal, hydroelectric, wave, or tidal energy, and
4 technologies deriving energy from biomass or biomass-based waste
5 products, including landfill gas. A renewable energy technology
6 does not rely on energy resources derived from fossil fuels,
7 waste products from fossil fuels, or waste products from
8 inorganic sources."

9 SECTION 3. (a) The department of business, economic
10 development, and tourism shall review the feasibility of the
11 State becoming a member of the Chicago climate exchange.

12 (b) There is created the renewable energy credits trading
13 program advisory committee to facilitate the development of a
14 renewable energy credits trading program in Hawaii. The
15 advisory committee shall:

16 (1) Assist the department of business, economic
17 development, and tourism in investigating the
18 feasibility of Hawaii becoming a member of the Chicago
19 climate exchange to generate needed revenue for the
20 State;

21 (2) Assist the public utilities commission in developing
22 rules that establish the minimum annual renewable



1 energy requirements for each electric utility company
2 operating in the State and specify reasonable
3 performance standards that all renewable capacity
4 additions must meet to satisfy the renewable portfolio
5 standard requirements of section 269-92, Hawaii
6 Revised Statutes; and

7 (3) Periodically report findings and recommendations to
8 the senate committee on energy, environment, and
9 international affairs and the house committee on
10 energy and environmental protection.

11 (b) The advisory committee members shall be appointed by
12 the chair of the senate committee on energy, environment, and
13 international affairs, and the chair of the house committee on
14 energy and environmental protection, not later than sixty days
15 from the effective date of this Act. The advisory committee
16 shall be composed of eight members, of whom there shall be:

17 (1) A representative from the department of business,
18 economic development, and tourism;

19 (2) A representative from the public utilities commission;

20 (3) A representative from the department of commerce and
21 consumer affairs;



1 (4) A representative from an electric utility company in
2 Hawaii;

3 (5) A representative that is an expert in the field of
4 "carbon trading";

5 (6) Two representatives from the environmental community;
6 and

7 (7) One representative from the Rocky Mountain Institute.

8 (c) The advisory committee shall elect a chairperson and
9 vice-chairperson from among its members. A majority of the
10 members shall constitute a quorum. The advisory committee shall
11 be placed with in the department of business, economic
12 development, and tourism for administrative purposes. Members
13 of the advisory committee shall serve without compensation, but
14 shall be reimbursed for per diem and interisland travel
15 expenses. The advisory committee shall meet not later than
16 sixty days after appointment.

17 (d) The advisory committee shall submit a report on the
18 progress made to develop the renewable energy credits trading
19 program, including any recommendations for administrative or
20 statutory changes, to the legislature not less than twenty days
21 prior to the convening of the 2007 regular session of the



1 legislature. The advisory committee shall cease to exist on
2 July 1, 2007.

3 SECTION 5. New statutory material is underscored.

4 SECTION 6. This Act shall take effect upon its approval,
5 provided that section 2 shall take effect July 1, 2006.

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Report Title:

Renewable Energy Credits Trading; Chicago Climate Exchange

Description:

Requires the public utilities commission to establish a renewable energy credits trading program. Requires DBEDT to review the feasibility of the State becoming a member of the Chicago climate exchange. Establishes an advisory committee to assist the PUC and DBEDT to establish a renewable energy credits trading program.

