

---

---

# 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 the 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 Kyoto Protocol, even  
12 though the United States produces more greenhouse gases than any  
13 other country. However, several states, including New York, New  
14 Jersey, Delaware, Connecticut, Maine, New Hampshire, and  
15 Vermont, have gone ahead and signed a plan setting Kyoto  
16 Protocol-style legal limits on greenhouse gases from power  
17 stations.



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

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

18           Today, the exchange is also active in the European Energy  
19 Trading Scheme through the European climate exchange. The  
20 European climate exchange offered the first quoted and cleared  
21 product for European carbon and began trading futures on the  
22 International Petroleum Exchange in April 2005. Within four



1 months, European carbon has established itself as the leading  
2 exchange-traded product in the field, with a volume of more than  
3 twenty-four million metric tons of carbon dioxide. European  
4 climate exchange futures have become the premier product for  
5 trading carbon in Europe.

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

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

20 Accordingly, the purpose of this Act is to:

- 21 (1) Require the public utilities commission to establish a  
22 renewable energy credits trading program in Hawaii to



1 ensure compliance with the State's renewable portfolio  
2 standards;

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

8 (3) Create a renewable energy credits trading program  
9 advisory committee to facilitate the development of a  
10 renewable energy credits trading program in Hawaii.

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

14 **"§269- Renewable energy credits trading program. (a)**

15 The commission shall establish a renewable energy credits  
16 trading program. Any electric utility company that does not  
17 satisfy the renewable portfolio standard requirements of section  
18 269-92 by directly owning or purchasing capacity using renewable  
19 energy technologies shall purchase sufficient renewable energy  
20 credits to satisfy the requirements by holding renewable energy  
21 credits in lieu of capacity from renewable energy technologies.



1        (b) The commission shall adopt rules pursuant to chapter  
2 91 to administer and enforce this section. At a minimum, the  
3 rules shall:

- 4        (1) Establish the minimum annual renewable energy  
5 requirement for each electric utility company  
6 operating in this State in a manner reasonably  
7 calculated by the commission to produce, on a  
8 statewide basis, compliance with the requirement  
9 prescribed by subsection (a); and
- 10       (2) Specify reasonable performance standards that all  
11 renewable capacity additions shall meet to count  
12 against the requirement under subsection (a) and that:
- 13       (A) Are designed and operated so as to maximize the  
14 energy output from the capacity additions in  
15 accordance with then-current industry standards;  
16 and
- 17       (B) Encourage the development, construction, and  
18 operation of new renewable energy projects at  
19 sites in the State that have the greatest  
20 economic potential for capture and development of  
21 this State's environmentally beneficial renewable  
22 resources.



1        (c) As used in this section, "renewable energy technology"  
2 means any technology that exclusively relies on an energy source  
3 that is naturally regenerated over a short time and derived  
4 directly from the sun, indirectly from the sun, or from moving  
5 water or other natural movements and mechanisms of the  
6 environment. Renewable energy technologies include solar, wind,  
7 geothermal, hydroelectric, wave, or tidal energy, and  
8 technologies deriving energy from biomass or biomass-based waste  
9 products, including landfill gas. A renewable energy technology  
10 does not rely on energy resources derived from fossil fuels,  
11 waste products from fossil fuels, or waste products from  
12 inorganic sources."

13        SECTION 3. (a) The department of business, economic  
14 development, and tourism shall determine the feasibility of the  
15 State becoming a member of the Chicago climate exchange.

16        (b) There is created the renewable energy credits trading  
17 program advisory committee to facilitate the development of a  
18 renewable energy credits trading program in Hawaii. The  
19 advisory committee shall:

20        (1) Assist the department of business, economic  
21 development, and tourism in determining the  
22 feasibility of Hawaii becoming a member of the Chicago



1 climate exchange to generate needed revenue for the  
2 State;

3 (2) Assist the public utilities commission in developing  
4 rules that establish the minimum annual renewable  
5 energy requirements for each electric utility company  
6 operating in the State and specify reasonable  
7 performance standards that all renewable capacity  
8 additions must meet to satisfy the renewable portfolio  
9 standard requirements of section 269-92, Hawaii  
10 Revised Statutes; and

11 (3) Periodically report findings and recommendations to  
12 the senate committee on energy, environment, and  
13 international affairs and the house committee on  
14 energy and environmental protection.

15 (c) The advisory committee members shall be appointed by  
16 the chair of the senate committee on energy, environment, and  
17 international affairs, and the chair of the house committee on  
18 energy and environmental protection, no later than sixty days  
19 after the effective date of this Act. The advisory committee  
20 shall be composed of eight members, as follows:

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



- 1 (2) A representative from the public utilities commission;
- 2 (3) A representative from the department of commerce and  
3 consumer affairs;
- 4 (4) A representative from an electric utility company in  
5 Hawaii;
- 6 (5) A representative who is an expert in the field of  
7 "carbon trading";
- 8 (6) Two representatives from the environmental community;  
9 and
- 10 (7) One representative from the Rocky Mountain Institute.
- 11 (d) The advisory committee shall elect a chairperson and  
12 vice-chairperson from among its members. A majority of the  
13 members shall constitute a quorum. The advisory committee shall  
14 be placed within the department of business, economic  
15 development, and tourism for administrative purposes. Members  
16 of the advisory committee shall serve without compensation, but  
17 shall be reimbursed for per diem and interisland travel  
18 expenses. The advisory committee shall meet not later than  
19 sixty days after appointment.
- 20 (e) The advisory committee shall submit a report on the  
21 progress made to develop the renewable energy credits trading  
22 program, including any recommendations for administrative or





1 statutory changes, to the legislature not less than twenty days  
2 prior to the convening of the 2007 regular session. The  
3 advisory committee shall cease to exist on July 1, 2007.

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect on July 1, 2006.



**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. (SD2)

