

**TESTIMONY TO THE
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON
S.B. 2932 RELATING TO
ENVIRONMENTAL RESPONSE TAX**

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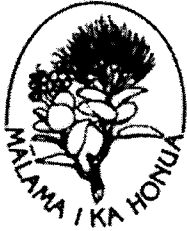
**By
Robert Maynard
President and Chief Executive Officer
Aloha Petroleum, Ltd.**

Chair Menor and Members of the Senate Committee on Energy and Environment
I am Robert Maynard, President and Chief Executive Officer of Aloha Petroleum, Ltd.

Aloha Petroleum opposes Senate Bill 2932, which increases the state environmental response tax on petroleum from five cents to twenty-five cents on each barrel of petroleum product sold in order to increase funding available for energy conservation, alternative energy development, global warming initiatives, and other programs pursuant to section 128D, HRS.

Aloha Petroleum supports programs such as energy conservation, alternative energy development, and global warming initiatives; however, it opposes a five-fold increase in the environmental response tax because Hawaii drivers should not be burdened with this additional tax on gasoline and higher gas prices in Hawaii.

Thank you for the opportunity to testify in opposition to Senate Bill 2932.



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SENATE COMMITTEE ON ENERGY ENVIRONMENT

January 31st, 2008, 2:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 2932

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports SB 2932, providing needed funding for clean energy and global warming initiatives through an increase in the oil barrel surcharge.

The concept behind SB 2932 is to help "internalize" the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. The link is quite clear between the use of petroleum products and corresponding impacts on our fragile island environments—not only in oil spills, which was the original impetus for the environmental response tax, but also in runoff from the roads our cars drive on, in degraded air quality, and in greenhouse gas emissions and climate change. Currently, the Department of Health is desperately under-funded and lacks the resources to adequately deal with these environmental impacts. Most critically, the newly established Greenhouse Gas Emissions Reduction Task Force—the group charged with developing the roadmap to achieve dramatic reductions in statewide greenhouse gas emissions—needs resources and staffing to complete their work. This measure would provide additional funds for their efforts.

Such a "conservation" tax on a barrel of oil of \$0.25 is approximately the same as a carbon tax of \$0.50 per ton of CO₂ (23 lbs CO₂ produced per gallon oil, 42 gallons per barrel). It would have a marginal impact on petroleum users, yet significantly increase the Department's ability to protect Hawaii's environment that is adversely impacted by petroleum use. Consider, for example, that European countries currently have carbon taxes as high as \$5.00 per ton.

The impact of CO₂ emissions alone from one barrel oil is much greater than the proposed tax. The Gas Company, in their Integrated Resource Plan, attempted to quantify the externalities (impacts not reflected in the market costs of an activity) per ton of pollutant. They examined environmental, energy security, macroeconomic and employment, and social and cultural externalities. Their results are shocking: the low estimate was \$10/ton CO₂, the mid-range was \$27/ton CO₂, and the high was \$77/ton CO₂ (The Gas Company, 1999. *The Gas Company Integrated Resource Plan Report*, Jan 28, 1999 Draft, Honolulu.). This measure, as amended with the suggested \$0.25 per barrel tax, is effectively a \$0.50 per ton carbon dioxide tax—well short of what is needed, but a step in the right direction.

Senate Bill 2932 is common sense policy that encourages resource conservation and increases our ability to protect Hawaii's environment by making the "polluter pay."

Thank you for the opportunity to testify.