



Conservation Council for Hawai'i

Testimony Submitted to the House Committee on Energy & Environmental Protection

Hearing: Tuesday, March 11, 2008 9 am

Conference Room 312

Support for SB 2932 SD 3 Relating to Environmental Response Tax

Aloha. The Conservation Council for Hawai'i supports SB 2932 SD 3, which provides much-needed funding to promote energy conservation, develop alternative sources of energy, address global warming. We are very concerned that our state has waited too long to address global warming. Please pass this bill out of committee and increase the environmental response tax on petroleum for these essential programs. Mahalo for the opportunity to testify.

Sincerely,

Marjorie Ziegler



Working Today for the Nature of Tomorrow!

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HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

March 11th, 2008, 9:00 A.M.

(Testimony is 2 pages long)

TESTIMONY IN STRONG SUPPORT OF SB 2932 SD3 WITH AMENDMENTS

Chair Morita and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports SB 2932 SD3, providing needed funding for clean energy and global warming initiatives through an increase in the oil barrel surcharge. The bill is smart tax-shifting policy to foster greater energy independence by tapping into the source of our problem to fund our preferred future.

We appreciate the amendments made by this Committee on the House companion to this measure (HB 3444 HD1) and we recommend that similar amendments be made to SB 2932 SD3. Please amend this bill to include a \$0.25 per barrel carbon fee that is then divided among various clean energy development strategies as described in the House Draft 1 of HB 3444.

The concept behind SB 2932 SD3 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 "clean energy" surcharge on a barrel of oil of \$0.20 is approximately the same as a carbon tax of \$0.41 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. A \$0.41 "carbon fee" is nominal. Many European countries have carbon taxes that exceed \$10.00 per ton. ***Last month, the Canadian province of British Columbia enacted a carbon fee that starts at approximately \$8.00 per ton (English) in July, 2008, and increases to \$24 per ton by 2012.***

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.). Again, the approximate carbon tax equivalent of this measure is \$0.41.

While we all likely agree that we need to aggressively increase our clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it with funding for research, development, and policy implementation. Senate Bill 2932 SD3 wisely taps the source of our problem—imported oil—to fund clean energy programs.

Again, we encourage the Committee to amend this measure so it resembles the House Draft 1 of HB 3444. That measure sets the surcharge at \$0.20 per barrel (we recommend \$0.25 per barrel) and creatively allocates the carbon fund among the three following needs:

- 1. Energy security projects and development to increase Hawaii's energy self-sufficiency (62.5%);**
- 2. Energy systems development for renewable energy and energy efficiency technology projects that will reduce Hawaii's dependence on fossil fuel, managed by the Hawai'i natural energy institute (12.5%); and**
- 3. The original intent of the Environmental Response Fund, such as environmental programs and responding to emergency oil spills (25%).**

Senate Bill 2932 SD3 can be a smart tax-shifting policy that encourages resource conservation and increases our ability to protect Hawai'i's environment by making the "polluter pay." As we dramatically expand our clean energy capacity in Hawai'i, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present. This common sense policy will foster greater energy independence by tapping into the source of our problem to fund our preferred future.

Thank you for the opportunity to testify.