

**HB 2421,
HD2, SD1
Testimony**

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2421, H.D. 2, S.D. 1

March 24, 2010

RELATING TO GOVERNMENT

House Bill No. 2421, H.D. 2, S.D. 1, establishes within the Department of Business, Economic Development and Tourism: 1) the Hawaii Economic Development Task Force to facilitate the accelerated adoption and completion of renewable energy projects, energy efficiency programs, agricultural infrastructure and development, and other measures to address Hawaii's energy and food security needs; and 2) the Hawaii Clean Energy Initiative Program to manage the State's transition to a clean energy economy.

In addition, House Bill No. 2421, H.D. 2, S.D. 1, also establishes the Energy Security special fund to receive funds from the environmental response and energy and food security tax as provided by Section 243-3.5 of the Hawaii Revised Statutes, legislative appropriations, earned interest, and funds from other sources. The special fund would be used to pay for expenses incurred to develop and implement activities to achieve food independence for the State.

As a matter of general policy, this department does not support the creation of any special fund that does not meet the requirements of Section 37-52.3, Hawaii Revised Statutes. Special funds should: 1) reflect a clear nexus between the benefits sought and

charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether the sources of funding for the Energy Security special fund reflect a clear nexus and whether the special fund will be self-sustaining.



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Testimony of The Nature Conservancy of Hawai'i
(Provided by Mark Fox, Director of External Affairs)
Supporting with Amendments H.B. 2421, SD1 Relating to Government
Senate Committee on Ways and Means
Wednesday, March 24, 2010, 9:30AM, Rm. 211

The Nature Conservancy **supports with the attached amendments** H.B. 2421, SD1, particularly the imposition of a reasonable tax increase on imported petroleum as a smart way to support Hawaii's energy security goals, incentivize innovation and change, promote food security, and help us cope with the effects of climate change.

We recommend the Committee amend the bill (see attached) to require a small portion, such as 10%, of the barrel fee be used to help communities and our natural resources cope with the inevitable challenges of climate change caused by emissions from burning fossil fuels. We do agree that large the majority of the revenue from the barrel fee should be used to support the state's transition to clean energy, greenhouse gas emission reduction, and energy and food security.

Climate change is an imminent and unprecedented threat to both natural systems (*e.g.*, forests, coastlines, coral reefs, wetlands) and to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Scientists have examined the evidence and rapid climate change is real; it is clearly caused by human activity; it is already a problem for habitat for plants and animals; and, if sources of CO₂ are not dramatically reduced, climate change could well have catastrophic results for people and their relationship with the natural environment.

Even if we drastically reduce CO₂ emissions now, we will still feel the effects of climate change. In Hawai'i, science is indicating that this may include:

- More frequent and more severe storms;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that may affect the health of forested watersheds;
- Climatic conditions even more conducive to invasive plants, insects and diseases;
- Sea level rise and high wave events that will harm coastal areas and cause seawater infiltration into groundwater systems; and
- Ocean acidification that will inhibit the growth of coral reefs.

In addition, to achieving energy security through vastly greater energy efficiency, technology and renewable energy development, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems.

Proposed amendments attached.

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[Proposed amendments from The Nature Conservancy highlighted]

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2010
STATE OF HAWAII

H.B. NO. 2421
H.D. 2
S.D.2

A BILL FOR AN ACT

RELATING TO GOVERNMENT.

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

PART I

SECTION 1. The purpose of this Act is to:

- (1) Promote economic development for local food and energy businesses by providing necessary funding, guidance, and infrastructure;
- (2) Ensure Hawaii is energy and food self-sufficient and sustainable to the maximum extent feasible; and
- (3) Help Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by carbon dioxide and other greenhouse gas emissions from burning fossil fuels.

Hawaii is at a crossroads. As the most geographically isolated state in the country, we are dangerously dependent on imports for basic food and energy. We import about eighty-five per cent of our food and ninety-five per cent of our energy. It has been estimated that Hawaii exported \$8,600,000,000 for food and oil in 2008, and every dollar exported is a lost opportunity to support and invest in local businesses. Our dependence on imports also exposes residents and businesses to volatile food and energy costs as oil prices fluctuate.

In addition, the mass consumption of fossil fuels, driven by our dependence on food and energy imports, contributes to climate change and the deterioration of the environment, including severe storm events, less rainfall, warmer temperatures that favor invasive species, a rise in sea levels, and ocean acidification that hampers coral growth. These climate changes will likely impose major, but not fully understood, costs and other impacts on Hawaii's people and the natural capital we depend upon to support our lives in the middle of the Pacific Ocean. Nowhere is it more obvious than in remote islands like Hawaii that our lives and economy are intertwined with the health and function of the natural world around us.

Although Hawaii has available renewable resources like solar, wind, ocean, and geothermal energy, we as a community have not taken full advantage of alternative-energy and energy-efficiency solutions to make the state more energy-independent. As an example, despite year-round sunshine, only thirty per cent of Hawaii's residents have solar water heaters.

Similarly, many acres of highly productive agricultural lands are not being farmed. Currently, Hawaii has a fresh supply of produce for no more than ten days. Ninety per cent of the beef, sixty-seven per cent of fresh vegetables, sixty-five per cent of fresh fruits, and seventy per cent of all milk consumed in the state are imported. While Hawaii may never produce one hundred per cent of its food, the risks and costs to society for dependence on imported food cannot be ignored.

Like energy, producing local food would reduce Hawaii's demand for fossil fuels, keep money in our community, and decrease the state's vulnerability to food-supply disruptions caused by natural disasters or worldwide economic events.

Now is the time for bold action to squarely address Hawaii's energy and food requirements and plan for and address the inevitable effects of climate change. It will require long-term commitment, dedication, and the investment of capital and human resources by government, the private sector, and Hawaii's people to dramatically shift our present course of importing food and energy toward a more energy-independent and agriculturally sustainable society. As a state and as a people, we must decide whether we will continue to be dependent on external sources for our basic needs, or whether we will build, invest in, and develop the capacity to become food- and energy-independent, as well as ensure the resiliency of our communities and natural environment to the inevitable impacts of climate change

The legislature finds that it is in the best interests of Hawaii's people to build the capacity we need to become energy- and food-self-sufficient and protect the health and function of our environment. As discussed in the "Hawaii 2050 Sustainability Plan and Hawaii Clean Energy Initiative," Hawaii has all the necessary assets to significantly improve the state's energy and food sustainability and independence over the next twenty years if appropriate personnel resources and funding are used wisely. To succeed, the state must ensure that our long-term strategy is well-resourced, coordinated, and focused.

This Act creates a Hawaii economic development task force to accelerate and support public and private efforts to make Hawaii energy- and food-self-sufficient, consistent with the "Hawaii 2050 Sustainability Plan, the Hawaii Clean Energy

Initiative," and other government and community planning efforts. The Hawaii economic development task force shall:

- (1) Recommend priorities for government agencies and the legislature to consider in determining how funds may be allocated;
- (2) Develop new, or modifying existing, strategies to implement and achieve the purposes of this Act; and
- (3) Identify the economic development, workforce, and consumer-education issues relating to the production of food and energy.

The legislature intends for the Hawaii economic development task force to take an interdisciplinary approach to seeking the most efficient and effective pathways for interagency coordination. The Hawaii economic development task force shall work collaboratively with all levels of government and the private and nonprofit sectors to address water, land, regulatory, and natural-resource issues intertwined with food and fuel production. This approach ensures that energy and food policy development will be integrated within the overall economic, social, environmental, and cultural aspects of society. With an understanding of these overlapping goals and resources, the state can maximize the opportunities to ensure food and energy security for generations to come.

The Act also:

- (1) Establishes a clean energy initiative to manage the state's transition to a clean energy economy;
- (2) Establishes an agricultural development and food security special fund to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state; and
- (3) Appropriates funds for the climate change task force established under Act 20, Special Session Laws of Hawaii 2009, to study the effects global warming will have on the economic well-being, public health, natural resources, and environment of Hawaii; and
- (4) Establishes a program to implement measures to protect Hawaii's natural resources and to ensure their resilience and ongoing ability to deliver services such as fresh water, sediment control, shoreline protection, and food in the face of the inevitable challenges brought on by climate change caused emissions from burning fossil fuels;

The legislature finds that undertaking this important task of energy and food security and natural resource protection requires a long-term commitment and the investment of substantial financial resources. To that end, this Act also

increases the per-barrel tax on petroleum products under the environmental response, energy, and food security tax, formerly known as the environmental response tax, and it appropriates funds from that tax for the energy and food security and natural resource protection initiatives established by this Act.

PART II

ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX

SECTION 2. Section 128D-2, Hawaii Revised Statutes, is amended to read as follows:

"§128D-2 Environmental response revolving fund; uses.

(a) There is created within the state treasury an environmental response revolving fund, which shall consist of moneys appropriated to the fund by the legislature, moneys paid to the fund as a result of departmental compliance proceedings, moneys paid to the fund pursuant to court-ordered awards or judgments, moneys paid to the fund in court-approved or out-of-court settlements, all interest attributable to investment of money deposited in the fund, moneys ~~[generated by]~~ deposited in the fund from the environmental response, energy, and food security tax [established in] pursuant to section 243-3.5, and moneys allotted to the fund from other sources ~~[, provided that when the total balance of the fund exceeds \$20,000,000, the department of health shall notify the department of taxation of this fact in writing within ten days. The department of taxation then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be discontinued beginning the first day of the second month following the month in which notice is given to the department of taxation. If the total balance of the fund thereafter declines to less than \$3,000,000, the department of health shall notify the department of taxation which then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be reinstated beginning the first day of the second month following the month in which notice is given to the department of taxation]~~.

(b) Moneys from the fund shall be expended by the department for response actions and preparedness, including removal and remedial actions, consistent with this chapter; provided that the revenues generated by the ~~["environmental response tax" and]~~ environmental response, energy, and food security tax deposited into the environmental response revolving fund:

(1) Shall ~~[also]~~ be used:

- (A) For oil spill planning, prevention, preparedness, education, research, training, removal, and remediation; and

- (B) For direct support for county used oil recycling programs; and
- ~~[(C) For deposit into the energy security special fund, established under section 201-12.8, as may be appropriated by the legislature; and]~~
- (2) ~~May~~ Shall also be used to support environmental protection and natural resource protection programs, including ~~[but not limited to]~~ energy conservation and alternative energy development, and to address concerns related to air quality, ~~global warming~~ climate change, watershed protection and management, coastal and marine protection and management, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department and funding for the acquisition by the State of a soil remediation site and facility."

SECTION 3. Section 201-12.8, Hawaii Revised Statutes, is amended to read as follows:

"~~[(1)]~~ **§201-12.8** **Energy security special fund; uses.** (a) There is created within the state treasury an energy security special fund, which shall consist of:

- (1) The portion of the environmental response, energy, and food security tax specified under section 243-3.5;
- ~~[(1)]~~ (2) Moneys appropriated to the fund by the legislature;
- ~~[(2)]~~ (3) All interest attributable to investment of money deposited in the fund; and
- ~~[(3)]~~ (4) Moneys allotted to the fund from other sources.

(b) ~~[Moneys]~~ Subject to legislative appropriation, moneys from the fund ~~[shall]~~ may be expended by the department of business, economic development, and tourism for the following purposes and ~~[shall be]~~ used for no other purposes, except for those set forth in this section:

- (1) To support ~~[(1)]~~ the Hawaii clean energy initiative program, including its energy division and projects that ensure dependable, efficient, and economical energy, promote energy self-sufficiency, and provide greater energy security for the ~~[State; and]~~ state;
- (2) To fund the renewable energy facilitator pursuant to section 201-12.5 and any other positions necessary for the purposes of paragraph (1) as determined by the legislature ~~[-]; and~~
- (3) To fund, to the extent possible, the greenhouse gas emissions reduction task force, climate change task force, grants-in-aid to the economic development

boards of each county, and grants-in-aid to economic development agencies of each county to meet the stated objectives of the Hawaii clean energy initiative program.

(c) The department of business, economic development, and tourism shall submit a report to the legislature, no later than twenty days prior to the convening of each regular session, on the status and progress of existing programs and activities and the status of new programs and activities funded by the energy security special fund. The report shall also include:

- (1) The spending plan of the energy security special fund;
- (2) All expenditures of energy security special fund moneys; and
- (3) The targeted markets of the expenditures, including the reason for selecting those markets; the persons to be served; and the specific objectives of the expenditures, including measurable outcomes."

SECTION 4. Section 243-3.5, Hawaii Revised Statutes, is amended as follows:

1. By amending its title and subsection (a) to read:

"§243-3.5 Environmental response, energy, and food security tax; uses. (a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed [at times provided in section 128D-2] a state environmental response, energy, and food security tax [of 5 cents] on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user[-] of petroleum product, other than a refiner[-, of petroleum product-]. The tax shall be \$1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

- (1) 5 cents of the tax on each barrel shall be [used pursuant to section 128D-2 to address concerns relating to drinking water.] deposited into the environmental response revolving fund established under section 128D-2;
- (2) 55 50 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;
- (3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169; and
- (4) 35 30 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-
____; and

(5) 10 cents of the tax on each barrel shall be deposited into the climate change resilience and adaptation special fund established under section 195D- .

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

2. By amending subsection (c) to read:

"(c) Notwithstanding section 248-8 to the contrary, the environmental response, energy, and food security tax collected under this section shall be paid over to the director of finance for deposit [into the environmental response revolving fund established by section 128D-2-] as provided in subsection (a)."

SECTION 5. Section 243-7, Hawaii Revised Statutes, is amended to read as follows:

"**§243-7 Tax not applicable, when.** (a) This chapter requiring the payment of license fees shall not be held or construed to apply to fuel imported into the [State] state in interstate or foreign commerce while and so long as such fuel is beyond the taxing power of the State, nor to any such fuel exported or sold to the government of the United States or any department thereof for official use of the government, nor to any fuel exported or sold to another licensed distributor; but every distributor shall be required to report such imports, exports, and sales as provided by this chapter and in such detail as the department of taxation shall require.

(b) This chapter shall not apply to the sale of liquid fuel sold or used in the [State] state for ultimate use by an intra-county ferry service that serves a county with a population of less than five hundred thousand residents and that includes at least three islands inhabited by permanent residents.

(c) This chapter shall not apply to the sale of a petroleum product that is used by a provider of commercial air transportation to transport persons or property."

SECTION 6. Section 304A-2169, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The special fund shall be funded by:

(1) Appropriations from the legislature; ~~and~~

(2) The portion of the environmental response, energy, and food security tax specified under section 243-3.5; and

~~[-2-]~~ (3) Investment earnings, gifts, donations, or other income received by the [+Hawaii natural energy+] institute."

PART III

HAWAII ECONOMIC DEVELOPMENT TASK FORCE

SECTION 7. (a) There is established the Hawaii economic development task force within the department of business, economic development, and tourism for administrative purposes.

The purpose of the Hawaii economic development task force shall be to facilitate the accelerated adoption and completion of renewable-energy projects, energy-efficiency programs, agricultural infrastructure and development, and other measures to meet the purposes of this Act. The Hawaii economic development task force shall develop and maintain a broad overview of energy and food security issues that apply an interdisciplinary approach to ensure that Hawaii's energy and food policy and program development is integrated within the overall economic, social, environmental, and cultural aspects of society. The Hawaii economic development task force shall, with the assistance of the department of business, economic development, and tourism:

- (1) Identify and review each state and county agency's policy objectives, mandates, organizational structure, and resources to address energy and food security issues;
- (2) Identify all federal and private funds available to the State and counties to address energy and food security issues;
- (3) Identify effective measures for interagency cooperation, coordinate efforts with the counties, and promote public- and private-sector partnerships to achieve the objective of energy and food security;
- (4) Identify existing programs and agreements addressing energy and food security that may be enhanced through legislation;
- (5) Investigate alternative institutional mechanisms to promote the efficient execution and implementation of a multi-year strategy to achieve energy and food security;
- (6) Investigate the streamlining of administrative processes to accelerate and achieve energy and food security;
- (7) Provide an appropriate forum for all affected or interested parties to address energy and food security issues;
- (8) Recommend appropriate legislation resulting from its findings to improve, accelerate, and achieve the objective of energy and food security;
- (9) Review whether:
 - (A) The apportionment of the environmental response, energy, and food security tax among the funds listed under section 243-3.5, Hawaii Revised Statutes, is appropriate;
 - (B) The apportionment should be changed; and

(C) Any additional special, trust, or revolving fund should receive a share of the tax;

and

(10) Perform any other function necessary to effectuate the purposes of this part.

(b) The Hawaii economic development task force shall consist of the following members:

- (1) The director of business, economic development, and tourism or the director's designee, who shall chair the Hawaii economic development task force;
- (2) The chairperson of the board of agriculture or the chairperson's designee;
- (3) The director of the office of planning or the director's designee;
- (4) The chairperson of the board of land and natural resources or the chairperson's designee;
- (5) The dean of the University of Hawaii college of tropical agriculture and human resources or the dean's designee;
- (6) The speaker of the house of representatives or the speaker's designee;
- (7) The president of the senate or the president's designee; and
- (8) A representative from each county's private economic development board.

(c) The Hawaii economic development task force's members shall serve without compensation but shall be reimbursed for expenses, including travel expenses, necessary for the performance of their duties.

(d) In the performance of its duties, the Hawaii economic development task force shall consult with appropriate private, nonprofit, community, and government stakeholders.

(e) The department of business, economic development, and tourism may contract with the University of Hawaii for any services to support the work of the Hawaii economic development task force.

(f) The Hawaii economic development task force shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2011.

The task force shall also submit a follow-up report to the legislature no later than twenty days prior to the convening of the regular session of 2012. The report shall include a description of the activities funded by the environmental response, energy, and food security tax, progress made toward

energy and food self-sufficiency, and any additional action necessary to achieve energy and food self-sufficiency.

(g) The Hawaii economic development task force shall cease to exist on June 30, 2012.

SECTION 8. Notwithstanding section 201-12.8(b), Hawaii Revised Statutes, there is appropriated out of the energy security special fund the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 for the purpose of supporting the work of the Hawaii economic development task force. The appropriation shall be made from the portion of the environmental response, energy, and food security tax that is deposited into the energy security special fund.

The sum appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this part.

PART IV

AGRICULTURAL DEVELOPMENT AND FOOD SECURITY

SECTION 9. Chapter 141, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§141- Agricultural development and food security special fund; establishment. (a) There is established within the state treasury the agricultural development and food security special fund.

(b) The following moneys shall be deposited into the special fund:

- (1) The portion of the environmental response, energy, and food security tax specified under section 243-3.5;
- (2) Any appropriation by the legislature into the special fund;
- (3) Any grant or donation made to the special fund; and
- (4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund may be expended for the following purposes:

- (1) The awarding of grants to farmers for agricultural production or processing activity;
- (2) The acquisition of real property for agricultural production or processing activity;
- (3) The improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity;
- (4) The purchase of equipment necessary for agricultural production or processing activity;
- (5) The conduct of research on and testing of agricultural products and markets;

- (6) The promotion and marketing of agricultural products grown or raised in the state; and
- (7) Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.

(d) The department of agriculture shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities and the status of new programs and activities funded under the agricultural development and food security special fund. The report shall also include:

- (1) The spending plan of the agricultural development and food security special fund;
- (2) All expenditures of agricultural development and food security special fund moneys;
- (3) The targeted markets of the expenditures, including the reason for selecting those markets;
- (4) The persons to be served; and
- (5) The specific objectives of the expenditures, including measurable outcomes."

SECTION 10. There is appropriated out of the agricultural development and food security special fund the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 for the purpose of supporting the following projects:

- (1) \$ _____ for Varroa mite control and eradication efforts;
- (2) \$ _____ for the operation of pest inspection, quarantine, eradication, biosecurity, and monitoring programs, related facilities, and the execution of emergency remedial measures when pests are detected in the course of inspection and quarantine activities by the department of agriculture;
- (3) \$ _____ for the expansion of the food safety and security program administered by the department of agriculture;
- (4) \$ _____ for the livestock revitalization program under chapter 155D, Hawaii Revised Statutes;
- (5) \$ _____ for improvements to the lower Hamakua ditch in Hawaii county;
- (6) \$ _____ for the construction of an agricultural water main distribution pipeline in the upcountry Maui watershed;
- (7) \$ _____ for the construction of the Kealahou pipeline in the upcountry Maui watershed; and

- (8) \$ _____ for the planning phase of the state agricultural water use and development plan.

The sum appropriated shall be expended by the department of agriculture for the purpose of this section. Any part of the sum appropriated in this section may be used to match federal funds.

PART V

HAWAII CLEAN ENERGY INITIATIVE

SECTION 11. Chapter 196, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§196- Hawaii clean energy initiative program. (a)

There is established within the department of business, economic development, and tourism, a Hawaii clean energy initiative program to manage the state's transition to a clean energy economy. The clean energy program shall design, implement, and administer activities that include:

- (1) Strategic partnerships for the research, development, testing, deployment, and permitting of clean and renewable technologies;
- (2) Engineering and economic evaluations of Hawaii's potential for near-term project opportunities for the state's renewable energy resources;
- (3) Electric grid reliability and security projects that will enable the integration of a substantial increase of electricity from renewable-energy resources;
- (4) A statewide clean energy public education and outreach plan to be developed in coordination with Hawaii's institutions of public education;
- (5) Promotion of Hawaii's clean and renewable resources to potential partners and investors;
- (6) A plan, to be implemented from 2011 to 2030, to transition the state to a clean energy economy; and
- (7) A plan, to be implemented from 2011 to 2030, to assist each county in transitioning to a clean energy economy.

(b) Prior to the initiation of any activities authorized under subsection (a), the department of business, economic development, and tourism shall develop a plan of action with the intent of promoting effective prioritization and focusing of efforts consistent with the state's energy programs and objectives.

(c) The department of business, economic development, and tourism shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on

the status and progress of new and existing clean energy initiatives. The report shall also include:

- (1) The spending plan of the Hawaii clean energy initiative program;
- (2) All expenditures of energy security special fund moneys; and
- (3) The targeted markets of the expenditures, including reasons for selecting those markets, the persons to be served, specific objectives of the program, and program expenditures, including measurable outcomes."

PART VI

CLIMATE CHANGE RESILIENCE AND ADAPTATION

SECTION 12. Chapter 195D, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§195D- Climate change resilience and adaptation special fund; establishment. (a) There is established within the state treasury the climate change resilience and adaptation special fund.

(b) The following shall be deposited into the special fund:

- (1) The portion of the environmental response, energy and food security tax specified under section 243-3.5;
- (2) Any appropriation by the legislature into the special fund;
- (3) Any grant or donation made to the special fund; and
- (4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund may be expended to promote the resilience and adaptation of indigenous plants, animals, aquatic life, and their associated ecosystems to ensure their ongoing health, function and ability to deliver public services such as fresh water, sediment control, shoreline protection, and food in the face of the effects of global climate change, including but not limited to the following:

- (1) The awarding of grants to governmental and non-governmental entities and individuals;
- (2) The acquisition of real property;
- (3) The protection, management and restoration of forests, watersheds, coastal resources, and fresh water and marine ecosystems;
- (4) The restoration of forests for the purposes of carbon sequestration and other ecosystem services;
- (5) The purchase of necessary equipment;
- (6) The conduct of necessary research and planning;

(7) To fund, to the extent possible, the climate change task force; and

(8) Any other activity intended to preserve the function and health of natural systems to adapt and be resilient to the effects of climate change.

(d) The department shall manage the special fund, including any expenditures from the fund, in consultation with the division of forestry and wildlife, the division of aquatic resources, the natural area reserve system commission, the forest stewardship commission, and the University of Hawaii Center for Island Climate Adaptation and Policy."

(e) The department shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities, and the status of new programs and activities funded under the climate change resilience and adaptation special fund. The report shall also include the spending plan of the climate change resilience and adaptation special fund, all expenditures of climate change resilience and adaptation special fund moneys, the specific objectives of the expenditures, and measurable outcomes."

SECTION 13. There is appropriated to the department of land and natural resources out of the climate change resilience and adaptation special fund the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 to carry out the purposes of this part.

PART VII

CLIMATE CHANGE TASK FORCE

SECTION 14. There is appropriated out of the energy security special fund, established pursuant to section 201-12.8, Hawaii Revised Statutes, the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 for the climate change task force established pursuant to Act 20, Special Session Laws of Hawaii 2009.

The sum appropriated shall be expended by the office of planning within the department of business, economic development, and tourism for the purposes of this part.

SECTION 15. There is appropriated out of the climate change resilience and adaptation special fund, the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 for the climate change task force established pursuant to Act 20, Session Laws of Hawaii 2009.

The sum appropriated shall be expended by the office of planning within the department of business, economic development, and tourism for the purposes of this part.

PART VIII

GREENHOUSE GAS EMISSIONS REDUCTION TASK FORCE

SECTION 16. There is appropriated out of the energy security special fund, established pursuant to section 201-12.8, Hawaii Revised Statutes, the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2010-2011 for the greenhouse gas emissions reduction task force established pursuant to Act 234, Session Laws of Hawaii 2007.

The sum appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this part.

PART VIIIIX

SECTION 17. Subject to the availability of federal funding for energy programs provided by grants, and subject to the constraints, oversight, and reporting requirements of those federal programs, the governor is authorized to establish positions necessary to accomplish the management of those energy projects funded by federal grants; provided that the positions shall be exempt from chapters 76 and 89, Hawaii Revised Statutes; and provided further that the governor shall submit a report to the legislature on all positions established as of December 31 and June 30 of each fiscal year that the positions exist and are occupied.

PART IX

SECTION 18. On June 1, 2011, the director of finance is authorized to transfer from the energy security special fund to the general fund the sum of \$10,000,000 or so much thereof as may be necessary for fiscal year 2010-2011; provided that \$1,000,000 of the sum transferred shall be used to fund agricultural inspectors at the department of agriculture.

PART XI

SECTION 19. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, 2015 shall lapse to the credit of the general fund.

SECTION 20. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun, before its effective date.

SECTION 21. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 22. This Act shall take effect on July 1, 2020; provided that sections 2, 3, 4, 5, and 9 shall be repealed on June 30, 2015, and sections 128D-2, 201-12.8, 243-3.5, and 243-7, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010.

From: [Windward Ahupua`a Alliance](#)
To: [WAM Testimony](#)
Subject: *****SPAM***** HB 2421 HD2 SD1 - RELATING TO GOVERNMENT
Date: Tuesday, April 06, 2010 11:22:28 AM

ORIGINALLY SENT MARCH 23, 2010

Shannon Wood, *President & Co-Founder*
Windward Ahupua`a Alliance/[Plug In & Power UP!](#)
P.O. Box 6366
Kane`ohe, HI 96744
Voicemail: 808/247-6366; Cellular: 808/223-4481 or 808/224-4496 (personal)
Website: <http://www.waa-hawaii.org>; E-mail: <mailto:info@waa-hawaii.org>

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

NOTICE OF DECISION MAKING

Wednesday March 24, 2010
9:30am
Conference Room 211

HB 2421 HD2 SD1 - RELATING TO GOVERNMENT

Report Title: Food and Energy Security; Appropriation

Description: Establishes various initiatives, and appropriates funds to promote economic development for local food and energy businesses, ensures Hawaii is energy and food self-sufficient and sustainable to the maximum extent feasible, and helps Hawaii's natural resources and humankind adapt and be resilient to the inevitable challenges brought on by climate change. Increases and changes the name of the environmental response tax, and sunsets the tax on June 30, 2015. Effective July 1, 2020. (SD1) (\$)

Aloha *Chair Kim, Vice Chair Tsutsui, and Committee Members:*

Since 2005, the *Windward Ahupua`a Alliance* has been actively involved in food & fuel security concerns, sustainable economic development, renewable energy matters, and a multitude of complex scientific & public policy climate change issues.

HB 2421 HD2 SD1 addresses all of these by recognizing that it is not enough to focus on just one or two issues such as invasive species control or greenhouse gases or rising sea levels or renewable energy.

However, I do have some suggestions to help improve the bill.

FIRST, is it possible to insert language in the bill addressing the *Governor's* refusal to implement the *Legislature's* intent? For example, even after last July's veto override of **SB 266 CD1 - ACT 20 Special Session**, *Governor* Lingle refused to move the **Climate Change Task Force** forward by arguing that, in addition to the

implementation costs, it duplicated what the *Office of Planning* and the *University of Hawai`i* were already doing so it wasn't necessary.

Granted, the two government agencies do address some of the issues; however, they are not mandated to include public participation in their decision-making as **ACT 20** does through the *House & Senate* appointees.

What I want to make sure is that this does not happen again to the **Hawai`i Economic Development Task Force** created in this bill. Although *Governor Lingle* will be gone in eight months, her successor could do the same thing.

SECOND, would it be possible to insert language in **Part IX** changing the transfer of \$10,000,000 to the **General Fund** at the end of the first fiscal year to a percentage of each month's revenues? Based upon some detailed computations, the monthly barrel tax revenues should be more than enough to sustain as much as a ten per cent monthly transfer to the **General Fund** throughout the year with the balance paid out at the end of **FY 2012**.

This will ensure a funding stream right from the beginning for the agricultural inspections to address invasive species control - p. 20 - as well as address budget shortfalls.

Also, when will the defective date be changed - now or in conference?

Finally, although I have been anti-coal for longer than just about anyone in Hawai`i's environmental community and would love to include all fossil fuels rather than just petroleum, I decided a few months ago that I would not push such a tax at this time here in Hawai`i even though I'm working with colleagues across the country to create a national fossil fuels fee.

BTW - have you considered using **fee** instead of **tax**. Nationally, that is proving to enhance the chances of getting renewable energy legislation passed.

Although one environmental organization here in Hawai`i argues that it is better to kill **HB 2421 HD2 SD1** if coal and bio-fuels are not included, this bill will cover close to 90% of our energy sources. It is time to move forward.

Mahalo for taking the time to consider these comments. If you have any questions, please call me at 808/224-4496.

Shannon Wood

kim2 - Jo Ann

From: PFierroRob@aol.com
Sent: Tuesday, March 23, 2010 9:43 AM
To: WAM Testimony
Subject: Support for HB 2421 HD2 SD1, Wednesday, March 24, 9:30am

Members of the SENATE COMMITTEE ON WAYS AND MEANS
March 24, 2010, 9:30 A.M.
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

Dear Chair Kim and members of the Committee:

As a professor in the political science department at Maui College/UH teaching a class called the "Politics of Global Warming", I am teaching my students how to give public testimony in support or opposition to bills before our state legislature as an exercise in citizenship. Many of my class chose this particular bill as their favorite because they realize its importance. We need a bill like this to fund our clean energy future in Hawaii. I would suggest a \$5 surcharge and these funds should be directed toward energy efficiency projects first with a particular focus on low-income energy efficiency upgrades and solar water heating. As a renter, I have pleaded with my landlord to take advantage of the incentives that MECO has provided for solar hot water. Since he does not pay for the electricity on our cottage, he has no interest (he also works for Exxon Mobil). On my modest salary, I cannot afford to purchase the solar hot water heater even with the 0 interest loan. This bill could help me and others like me do just that.

In addition, I think this bill will provide incentives for clean energy investment, smart grid infrastructure (especially since MECO and HECO are wanting to put a moratorium on Solar -not being able to handle what we have currently, let alone all the additional wind and solar needed in our future portfolio), and leveraging stimulus dollars for future energy projects.

I am sure you have heard this before, but it is worth repeating...A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. And the surcharge will be used to create green jobs locally and help foster local clean energy innovation.

I strongly support this bill.

Thank you for the opportunity to testify.

Dr. Phyllis Robinson

Phyllis Robinson, Ed.D.
Political Science Department

kim2 - Jo Ann

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 22, 2010 7:25 PM
To: WAM Testimony
Cc: Luella@hfbf.org
Subject: Testimony for HB2421 on 3/24/2010 9:30:00 AM

Testimony for WAM 3/24/2010 9:30:00 AM HB2421

Conference room: 211
Testifier position: support
Testifier will be present: No
Submitted by: Luella Costales
Organization: HFBF
Address:
Phone:
E-mail: Luella@hfbf.org
Submitted on: 3/22/2010

Comments:

The Irrigation Systems identified within the Ag Dev Fund expenditures have Federal \$\$ that need a state match; The Ag Water Use and Development Plan required by HRS is needed to complete the County Water Use and Development Plans.

kim2 - Jo Ann

From: Miriam Gee [gee.miriam@gmail.com]
Sent: Tuesday, March 23, 2010 9:16 AM
To: WAM Testimony
Subject: Support for HB 2421 HD2 SD1, Wednesday, March 24, 9:30am

SENATE COMMITTEE ON WAYS AND MEANS
March 24, 2010, 9:30 A.M.
Room 211

TESTIMONY IN (SUPER!) STRONG SUPPORT OF HB 2421 HD2 SD1

Chair Kim and members of the Committee:

As an environmentalist and resident of Hawaii, I strongly support House Bill 2421 HD2 SD1 to provide funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i. I support a barrel tax on imported oil, a minimum of \$5 per sizable barrel, to fund the first costs of investment in the critical elements of Hawaii's clean energy future—energy efficiency, smart-grid infrastructure, planning and implementation. I also support a larger portion of the revenue to be directed to energy efficiency programs that reach a large number of residents.

As an architectural designer, the potential for using natural, renewable resources, so abundantly available to us in Hawaii for clean energy production is more than obvious. We need to provide funding for clean energy investment by tapping the source of our problem—imported oil. Additionally, House Bill 2421 will create good paying, local jobs in the high-tech renewable energy and energy efficiency fields.

The proposed barrel tax funding should be used for clean energy and efficiency research, planning, and implementation to transition to our preferred clean energy future. Hawaii should take advantage of the abundant renewable resources available for clean energy, rather than rely on foreign imports to power our state. This bill will discourage the use of fossil fuel and encourage residents to increase energy efficiency and conservation. These personal measures and switching to clean sources of power all reduce the burden of the tax.

As a cyclist who doesn't own a car, I personally hope that this encourages more individuals to ride the bus, car-share, bike, or walk to work or school, which would also reduce the traffic congestion on our roads and create more peaceful communities.

Please protect the future of Hawaii by supporting clean energy and the barrel tax, and ensuring that the majority of the oil tax revenues are spent on energy efficiency initiatives - this is the key!!!

Please pass this critical funding initiative to ensure that Hawaii has the resources to make the transition to a clean energy economy.

Thank you for the opportunity to testify.

Sincerely,
Miriam Gee

--

kim2 - Jo Ann

From: craftyvalentine@gmail.com on behalf of Jessy-Valentine Portz [valentine@spacecraft.net]
Sent: Tuesday, March 23, 2010 9:42 AM
To: WAM Testimony; Rep. Della Belatti; Sen. Carol Fukunaga
Cc: Christine Nancy Antolos; Christine Nancy Antolos
Subject: Support for HB 2421 HD2 SD1,

SENATE COMMITTEE ON WAYS AND MEANS
March 24, 2010, 9:30 A.M.
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

Chair Kim and members of the Committee:

Aloha,

I am writing you to tell you that I strongly support HB2421, fossil fuel surcharge per barrel.

I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

The surcharge will be used to create green jobs locally and help foster local clean energy innovation.

I recognize the necessity for providing baseline power, but I know there are better methods of producing base power than fossil fuels.

This being Pele's land, there is enough geothermal potential to power all the islands. It is idiotic, if not a sin that we are letting this energy go to waste, when it has the potential to power our factories, homes, offices, and electric cars. Even a modern nuclear reactor would be preferable to constantly having to breathe petroleum exhaust. I am sure our keiki would be better off breathing uncontaminated air.

Considering the power ocean we are surrounded by, this is an ideal place to harness wave and tidal energy. However, there needs to be a financial incentive structured into law that will make clean energy work in an economy where fossil fuel is subsidized, and the power companies may pass along any rise in fuel cost to the consumer.

I am strongly committed to clean energy, but the current structure of our public energy system, public land use, and net-metering system does not allow for enough financial incentive to promote green decentralized energy production.

Please fix our legal mechanisms to combat our energy and climate crisis. Mahalo nui loa.

Thank you for the opportunity to testify.

silent

J. Valentine Portz, Registered Architect, LEED AP President of Heulu Garden AOA
1422 Heulu St. Apt. A104
Honolulu, HI 96822

kim2 - Jo Ann

From: Alan Ewell [jewell@hawaii.rr.com]
Sent: Tuesday, March 23, 2010 9:53 AM
To: WAM Testimony
Subject: I Support HB 2421 HD2 SD1

Ways and Means Committee Members:

I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. Such a barrel tax will discourage fossil fuel use while providing a source of revenue for clean energy planning and implementation. This will create good-paying local green jobs and help foster local clean energy innovation in our islands.

Funds raised by this surcharge should be directed to energy efficiency projects first with a focus on low-income energy efficiency upgrades and solar water heating. Remaining funds should be used to incentivize clean energy investment, smart grid infrastructure improvements, and leveraging federal stimulus dollars for energy projects.

Thanks for your consideration.

Alan Ewell
Honolulu

kim2 - Jo Ann

From: Antolos Christine [antolosc@prel.org]
Sent: Tuesday, March 23, 2010 10:07 AM
To: WAM Testimony
Cc: Jessë Valentine Portz
Subject: TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

SENATE COMMITTEE ON WAYS AND MEANS

March 24, 2010, 9:30 A.M.

Room 211

Dear Honorable Chair Kim and members of the Committee,

I am writing to voice my strong support for HB 2421. I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. The funds must be first dedicated to clean energy and efficiency programs, with a particular focus on low-income energy efficiency upgrades and solar water heating. Then, funds should be used to incentivize clean energy investment, smart grid infrastructure improvements, and leveraging federal stimulus dollars for energy projects.

This policy will also discourage fossil fuel use. We really need to take action for the future of the islands. We cannot keep using petroleum at the current rate sustainably. This bill will help discourage careless use of fossil fuels and help us create better solutions. Please vote yes on HB 2421.

Thank you for your time and consideration.

Thank you,

Christine Antolos
1422 Heulu Street, A104
Honolulu, HI 96813

kim2 - Jo Ann

From: Christine Meadows [cmbluesky77@gmail.com]
Sent: Tuesday, March 23, 2010 11:27 AM
To: WAM Testimony
Subject: Support for HB 2421 HD2 SD1, Wednesday, March 24, 9:30am

SENATE COMMITTEE ON WAYS AND MEANS

March 24, 2010, 9:30 A.M.

Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

Chair Kim and members of the Committee:

1. *I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.*
2. *Funds should be directed to energy efficiency projects first with a particular focus on low-income energy efficiency upgrades and solar water heating.*
3. *Funds should then be used to incentivize clean energy investment, smart grid infrastructure improvements, and leveraging federal stimulus dollars for energy projects.*
4. *The surcharge will be used to create green jobs locally and help foster local clean energy innovation.*

Thank you for the opportunity to testify.

Christine Meadows
320B Kawainui Street
Kailua, HI

kim2 - Jo Ann

From: Garrett Apuzen-Ito [apuzenito@gmail.com]
Sent: Tuesday, March 23, 2010 11:29 AM
To: WAM Testimony
Subject: Support for HB 2421 HD2 SD1, Wednesday, March 24, 9:30am

Dear Hawaii Legislature,

I strongly support House Bill 2421 HD2 SD1 to provide funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i. Hawai'i must act swiftly and vigorously to switch to clean energy sources and this bill represents a solid first step. It is essential that legislature like this one is passed to steer our economy away from heavy reliance on imported fossil fuels and to add to funds for developing alternative sources.

Hawai'i must act now to develop new energy sources while cheap oil is still available; waiting and reacting could be very detrimental. Please pass this critical funding initiative to ensure that Hawaii has the resources to make the transition to a clean energy economy.

Aloha,

Garrett Apuzen-Ito

kim2 - Jo Ann

From: paul berry [pbdocberry@gmail.com]
Sent: Tuesday, March 23, 2010 11:51 AM
To: WAM Testimony
Subject: HB 2421 HD2 SD1 and HB 2643

March 23,2010

Senator Kim and Committee Members
Testimony re: HB 2421 HD2 SD1 and HB 2643

Senators:

Thank you for receiving my testimony.

We badly need to pass both of these bills to help our capital-short state finance speedy entry into clean energy sources.

The \$5 per barrel oil tax represents 9 cents a gallon at the gas pump. Gasoline prices change that much weekly, and we hear no complaints from drivers. As for HB 2421 affecting airlines, please let the tax apply to their fuels as well, which will then leave visitors paying more of the tax as a part of their travel.

Versions of the PACE concept in HB 2643 are in operation effectively around the country, financing faster investments in clean energy on homes and businesses, which then raise the priority for improvements toward smart electrical grids. Three years into HCEI, we see far too little investment in new clean energy sources. Please pass this important bill, as it will generate rapid investment in solar and wind energy sources, and the bonds it will generate will pay for themselves.

Thank you for receiving my testimony.

Sincerely yours,

Paul Berry

46-158-Kiowai St., #2411

Kaneohe , Hi 96744

808-247-4090

pbdocberry@gmail.com

kim5 - Deborah

From: Nick Blank [blankhi@mac.com]
Sent: Tuesday, March 23, 2010 12:54 PM
To: WAM Testimony
Subject: Support for HB 2421 HD2 SD1, Wednesday, March 24, 9:30am

Follow Up Flag: Follow up
Flag Status: Completed

PLEASE!

I strongly support HB 2421 HD2SD1 to include the \$5 per barrel charge to be directed toward energy and food independence. We are in a terrible situation and need our government to lead us to a solution before it is too late. We are so dependent on oil for our daily function that if the unstable resource were to let us down, we could not function. Please do the right thing and make this happen, the cost to the public will be minimal yet the risk factor of not taking action is very high.

Thank you,
Nick Blank
844 Lunalilo Home Road
Honolulu, HI. 96825

554-7892

From: [Terri Erwin](#)
To: [WAM Testimony](#)
Subject: TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1
Date: Tuesday, March 23, 2010 1:38:09 PM

Chair Kim and members of the Committee:

I am in strong support of HB 2421 HD2 SD1.

I believe Hawaii has a brighter future if we fund, research and develop alternative, clean sources of energy. Money generated from the increased surcharge proposed will seed the future for our state's energy independence. I'm for that!

Terri Erwin
349 S. Kihei Rd.
Kihei, Maui, HI 96753

From: [Andrea Brower](#)
To: [WAM Testimony](#)
Cc: [Keone Kealoha](#)
Subject: Support for HB 2421
Date: Tuesday, March 23, 2010 2:37:02 PM

SENATE COMMITTEE ON WAYS AND MEANS
March 24, 2010, 9:30 A.M.
Room 211

RE: TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

Aloha Honorable Chair Kim and Members of the Committee:

Malama Kaua`i is a sustainability organization that acts as a catalyst for community development and prosperity through economic relocalization and the value of aloha `aina. Our organization is in strong support of HB 2421. In the interest of economic resiliency and prosperity, we must start creating the investment funds in order to move to a clean and localized energy future, as well as discouraging the over-use of fossil fuels.

Although we are concerned about coal and imported biofuels as well, we see this bill as a triumphant next step. We recommend taking bold steps forward by placing a \$5 surcharge on each barrel of oil. We also recommend taking extra care to insure that the funds generated for sustainable agriculture are distributed in such a way that encourages local food production to meet local needs. Please do not hesitate to contact us if you have further questions.

Mahalo nui loa,

--

=====

Andrea Brower
Mālāma Kaua`i
808-635-1659
www.malamakauai.org

=====

kim2 - Jo Ann

From: Richard Furst [richardfurst@yahoo.com]
Sent: Tuesday, March 23, 2010 2:54 PM
To: WAM Testimony
Subject: TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1

Chair Kim and members of the Committee:

I would like to voice my support for HB 2421, in favor of a small surcharge on each barrel of oil entering Hawaii. The critical elements of Hawaii's clean energy future—energy efficiency, smart-grid infrastructure, planning and implementation—require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported oil—to fund clean energy programs. While the current measure only creates a \$1 per barrel surcharge, I would support a \$5 surcharge on each barrel of oil. Such a fee would have a nominal effect on gasoline and electricity prices, yet would yield upwards of \$150 million for clean energy and energy efficiency statewide--driving down energy costs for everyone.

Please support this important piece of legislation that will provide funding for a cleaner Hawaii tomorrow.

Thank you,

Richard Furst
Haleiwa, Hawaii

Senate Committee on Ways and Means
March 24, 2010
Room 211

Comments in support of HB 2421 HD2 SD1, with amendments

Chair Kim, Vice-Chair Tsutsui, and members of the committee,

I strongly support HB2421 SD1, as it promotes food and energy self-sufficiency while encouraging renewable energy and higher energy efficiency via the barrel tax.

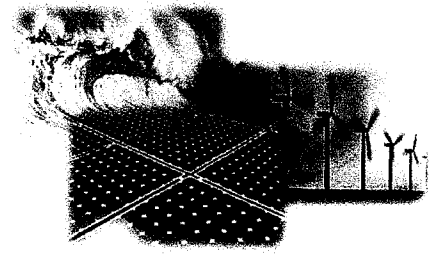
Recently I was reminded of how abundant Hawaii's renewable resources are, yet they go untapped because of the large initial capital investment required in the entire gamut of renewable technology solutions. The State can demonstrate its commitment to living up to our Renewable Portfolio Standards by decisively funding this push toward modernization, and at the same time reassure private industry that bringing jobs and green technology to Hawaii is worth the financial risk since the State will have demonstrated its willingness to invest in the future.

Hawaii stands uniquely poised to draw resources, technology, and expertise from all around the Pacific. There are few places in the world that have so many different climates and the diversity of renewable opportunities they bring, no where else is better suited to take head-on the challenges of climate change. By aggressively funding green technology and the societal change that comes with it, Hawaii can be an example to the world.

I support the amendments suggested by the Blue Planet Foundation

Thank you for your time and consideration.

Seth Corpuz-Lahne
1554 Ulupii St.
Kailua, HI 96734



SENATE COMMITTEE ON WAYS AND MEANS

March 24, 2010, 9:30 A.M.

Room 211

(Testimony is 9 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 2421 HD2 SD1, SUGGESTED AMENDMENTS

Chair Kim and members of the Committee:

The Blue Planet Foundation strongly supports House Bill 2421 HD2 SD1, providing for funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i. We believe this is keystone clean energy policy that will enable much of the energy transition to the preferred future Hawai'i has been seeking for generations. The critical elements of Hawai'i's clean energy future—energy efficiency, smart-grid infrastructure, planning and implementation—require up-front investment.

Blue Planet believes the best way to provide investment funds is by tapping the source of our problem—imported oil—to fund clean energy programs. This measure will help enable Hawai'i's clean energy future while creating good paying, local jobs in the high-tech renewable energy and energy efficiency fields. Further, according to two separate surveys commissioned by Blue Planet, 70% of Hawai'i residents support paying an additional amount on their energy bills (with the mean equivalent to a \$5 per barrel tax) **if the revenue was dedicated to Hawai'i's clean energy future.**

We appreciate and support the amendments made by the previous committees. However, to truly accelerate Hawai'i's transition to energy independence, Blue Planet proposes the following three amendments to HB 2421 HD2 SD1:

- Increase the oil tax to \$5 per barrel (yielding approximately \$150 million annually).
- Expand the uses of the barrel tax to include the following programs:
 1. Double the capacity of the **existing energy efficiency** Public Benefit Funds Administrator (regulated by the Public Utilities Commission), including increasing and adding efficiency incentives such as appliance buy-back programs, free

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

- home energy audits, solar water heater and compact fluorescent / LED rebates, and other efficiency programs;
2. Fund independent distributed renewable energy grid connection studies as required by the utility (via Rule 14H)—currently a major disincentive to grid interconnection by private clean energy developers; and
 3. Fund county energy office positions.
- Sunset the aviation fuel exemption on January 1, 2015.

Blue Planet would also strongly support expanding the barrel tax to include other carbon fuel imports such as coal, but we recognize that coal represents less than 5% of the energy currently consumed in Hawai'i.

Proposed amendment language is included at the end of the testimony.

Rationale for Barrel Tax Policy in 2010

If we truly want to rapidly transition Hawai'i to energy independence, we have to be prepared to invest in that preferred future today. We cannot afford to wait until the economy recovers and the price of oil returns to triple-digits as it did in 2008.

Hawai'i is the most dependent state in the nation on imported oil. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources¹. In addition, over 805,000 tons of coal are imported into our state². These sources provide power for over 92% of Hawaii's electricity generation. The combustion of these resources also contributes over 23 million tons of climate changing greenhouse gas into our atmosphere annually³. Hawaii's economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawai'i. To that end, new policies and sources of funding are critically needed that will dramatically increase energy efficiency, build our smart energy infrastructure with storage, and develop clean, renewable, and indigenous energy sources.

A \$5 per barrel tax on oil would provide the needed funding for clean energy and efficiency research, planning, implementation to transition to our preferred clean energy future. 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.

¹ The State of Hawaii Data Book, 2007

² *Ibid.*

³ ICF International. Inventory of Greenhouse Gas Emissions and Sinks in Hawaii: 1990 and 2007. December 2008.

Barrel Tax is Smart Tax Policy

A barrel fee (or “carbon tax”) is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The concept behind the measure 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.

Unlike many other taxes, the barrel tax is largely avoidable by most residents. Energy efficiency, conservation, and switching to clean sources of power all reduce the burden of the tax. In fact, most residents could reduce the amount of barrel tax they pay by installing some compact fluorescent light bulbs at home and ensuring that car tires are properly inflated. Ensuring that a good portion of the oil tax revenues are spent on energy efficiency measures will help reduce the potential regressive nature of the policy.

A “clean energy” surcharge on a barrel of oil of \$5 is approximately the same as a carbon tax of \$10.45 per ton of carbon dioxide (CO₂)⁴. It would have a marginal impact on petroleum users, yet significantly increase the state’s ability to deliver energy efficiency investments and clean energy project funding. A \$10.45 “carbon fee” is average. Many European countries have carbon taxes that exceed \$10.00 per ton. In 2008, the Canadian province of British Columbia enacted a carbon fee that started at approximately \$8.00 per ton (English) in July, 2008, and increases to \$24 per ton by 2012.

Public Support

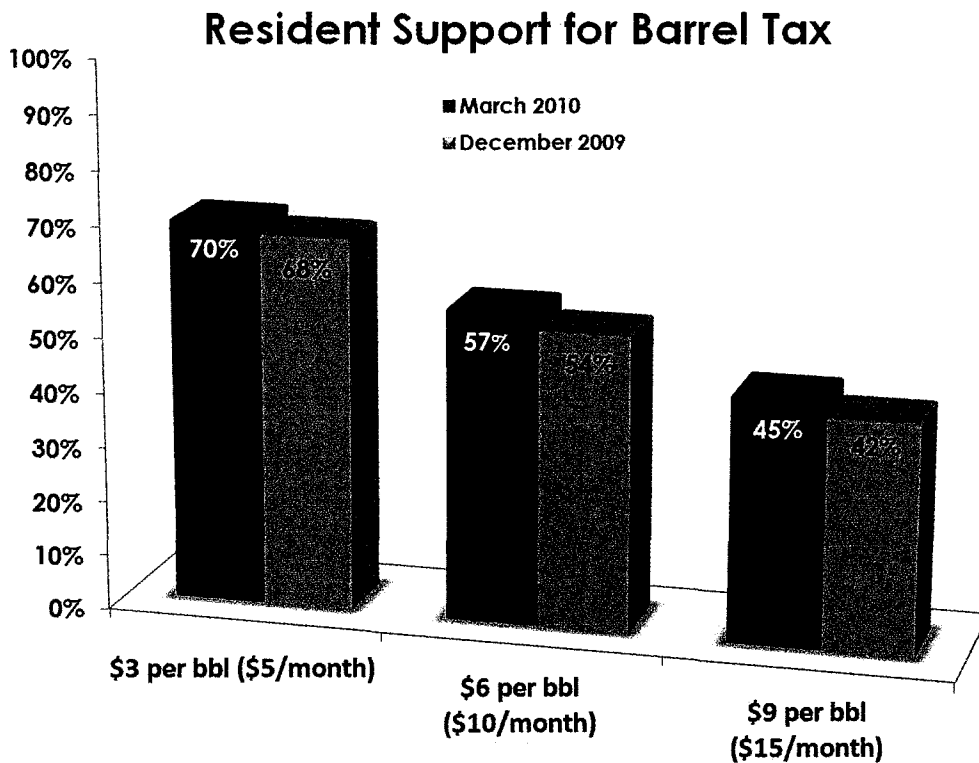
Blue Planet Foundation conducted market research⁵ in December 2009 and March 2010 to discern the level of public support for a barrel tax for clean energy investment. The statewide survey of residents found broad support for a barrel tax with over 70% supporting a tax of some amount. Each survey had a random sample of 500 residents statewide, providing a margin of error of 4.4% at a 95% confidence level.

⁴ At 23 lbs CO₂ produced per gallon oil and 42 gallons per barrel.

⁵ The complete survey results are available online at cleanenergyhawaii.org/clean-energy-investment.

	DECEMBER 09	MARCH 10
\$15/ Month (\$9/barrel eq.)	42%	45%
\$10/ Month (\$6/barrel)	54%	57%
\$5/ Month (\$3/barrel)	68%	70%
<\$5/ Month	69%	71%
Not willing to pay anything	28%	28%

The average level of support was equivalent to a \$5 per barrel tax. Forty-five percent of residents supported paying an additional \$15 on their monthly energy bills, equivalent to a \$9 per barrel tax. These findings should provide comfort to decision makers wrestling with how to develop funding for Hawaii's clean energy future—Hawaii's residents are willing to pay to wean Hawai'i from its oil dependence.



Limited Exemption for Aviation Fuel

In 2009, the interisland air carriers raised objections to the inclusion of jet fuel in the barrel tax. Unlike ground transportation and electricity (and even marine transportation), no ready fuel substitutes exist for jet fuel presently. Blue Planet supports a limited airline fuel exemption with a

5-year sunset date (January 1, 2015) to overcome these concerns. We support a smaller tax on airline fuel to be used for other important purposes, such as inspections.

Need for Efficiency Funding

The revenue developed from the barrel tax must be dedicated to the most effective levers to accelerate the transition to our clean energy future: providing incentives, removing roadblocks, integration planning, and efficiency. Increasing energy efficiency must be a high priority use of these funds, as efficiency is typically the fastest, cheapest, and most effective way to reduce fossil fuel use. Further, efficiency improvements have the broadest resident benefit and are a straightforward way to decrease the impact of the barrel tax.

House Bill 2421 HD2 SD1 currently does not explicitly provide for using the barrel tax revenues for direct energy efficiency programs. Fortunately, a program has been established to administer energy efficiency programs via a third-party administrator under the public utilities commission (PUC). The public benefits fund administrator (PBFA), established in §269-122, receives funds from the public benefits fee charged to the electric utility. This PBFA is held accountable to strict standards on how the funds can be spent, with at least 90% of expenditures to be used on direct efficiency programs and the balance for overhead and management (pursuant to §269-122). The current PBFA is under a two-year contract with the PUC. Their performance will be reviewed in terms of measureable and verifiable energy savings per dollar spent.

The PBFA provides incentives and education to accelerate the investment in energy efficiency. The financial support is typically in the form of rebates and incentives to encourage the adoption of efficiency measures. This support has been effective in increasing efficiency, however, the funding is limited; solar rebates on O'ahu this year, for example, are being reduced from \$1000 per installation to \$800. Doubling the current amount of funding to the PBFA would make efficiency improvements more accessible and affordable to a greater number of Hawai'i residents.

While some may believe it is best to wait to fully review the current PBFA before providing additional funding for the program, Blue Planet believes that it is best for this measure to set policy for the long term—that is, ample funding for energy efficiency programs for Hawai'i residents and businesses. The PBFA is the most sensible place to direct oil tax funding to achieve immediate, measureable, verifiable, and accountable decreases in oil consumption.

Amendments

While we all likely agree that we need to aggressively increase our energy efficiency and clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it with funding for planning, implementation, development, and funding. House Bill 2421 wisely taps the source of our problem—imported oil—to fund clean energy programs.

Proposed amendments to HB 2421 HD2 SD1 follow. Blue Planet is happy to work with the Committee to develop appropriate language to accomplish that outcome.

Thank you for the opportunity to testify.

PROPOSED AMENDED LANGUAGE IN HB 2421 HD2 SD1

SECTION 4. Section 243-3.5, Hawaii Revised Statutes, is amended as follows:

1. By amending its title and subsection (a) to read:

"§243-3.5 Environmental response, energy, and food security tax; uses. (a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax of \$5.05 (five dollars and five cents) on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user, other than a refiner, of petroleum product; provided that each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user, other than a refiner, of petroleum product that is aviation fuel shall be subject to a state environmental response, energy, and food security tax of 5 cents; provided further that of the tax collected pursuant to this subsection:

- (1) 5 cents of the tax on each barrel, including all tax revenues received under this section for the sale of aviation fuel shall be deposited into the environmental response revolving fund established under section 128D-2;
- (2) 100 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;
- (3) 45 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169;

- (4) 100 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-18;
- (5) 100 cents of the tax on each barrel shall be deposited into the energy efficiency special fund established under section 269- ; and
- (6) 150 cents of the tax on each barrel shall be deposited into the general fund.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

PROPOSED NEW LANGUAGE FOR HB 2421 HD1

SECTION XXX. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§269- Energy Efficiency special fund; establishment. (a) There is established within the state treasury the energy efficiency special fund.

(b) The following shall be deposited into the special fund:

(1) The portion of the environmental response, energy, and food security tax specified under section 243-3.5;

(2) Any appropriation by the legislature into the special fund;

(3) Any grant or donation made to the special fund; and

(4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund shall be expended by the public utilities commission for the same purposes as the public benefit fees collected pursuant to section 269-121.

SECTION XXX. Section 269-122, Hawaii Revised Statutes, is amended as follows:

§269-122 Public benefits fee administrator; establishment.

(a) The public utilities commission may contract with a third-party administrator, to operate and manage any programs established under section 269-121. The administrator shall not be deemed to be a "governmental body" as defined in section 103D-104[; provided that all moneys transferred to the third-party administrator shall be comprised solely of public benefit fees collected pursuant to section 269-121]. The administrator shall not expend more than ten per cent of the collected public benefits fees or legislative appropriations pursuant to section 269- in any fiscal year, or other reasonable percentage determined by the public utilities commission, for administration of the programs established under section 269-121.

(b) The public benefits fee administrator shall be subject to regulation by the public utilities commission under any provision applicable to a public utility in sections 269-7, 269-8, 269-8.2, 269-8.5, 269-9, 269-10, 269-13, 269-15, 269-19.5, and 269-28, and shall report to the public utilities commission on a regular basis. Notwithstanding any other provision of law to the contrary, the public benefits fee administrator shall not be an electric public utility or an electric public utility affiliate.

SENATE COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Dear Chairs Hee, Gabbard and Fukunaga,

My name is Stuart Coleman, and I am the Hawaii Coordinator of the Surfrider Foundation. I strongly support House Bill 2421 HD2 SD1 to provide funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i.

I support a barrel tax of \$5 or more to help subsidize the up-front investment in the crucial elements of Hawaii's clean energy future—energy efficiency, smart-grid infrastructure, planning and implementation. I also support a larger portion of the revenue to be directed to energy efficiency programs that reach a large number of residents. As you know, we are more than 90% dependent on imported fossil fuels, and this poses a dangerous situation for Hawaii. In order to change our addiction to imported oil, the best way to provide funding for clean energy investment is by tapping the source of our problem—imported oil. House Bill 2421 will help enable Hawaii's clean energy future while creating good paying, local jobs in the high-tech renewable energy and energy efficiency fields.

By imposing a \$5 per barrel tax on oil and other fossil fuels, this effort would provide the needed funding for clean energy and efficiency research, planning, implementation to transition to our preferred clean energy future. 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. Will we be leader in the clean energy movement or a latecomer?

The proposed barrel tax discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. Unlike many other taxes, the barrel tax is largely avoidable by most residents. Energy efficiency, conservation, and switching to clean sources of power all reduce the burden of the tax. In fact, most residents could reduce the amount of barrel tax they pay by installing some compact fluorescent light bulbs at home and ensuring that car

tires are properly inflated. Ensuring that a good portion of the oil tax revenues are spent on energy efficiency initiatives will help reduce the potential regressive nature of this policy.

I ask that you also include a tax on imported coal and palm oil from Indonesia (which has led to massive deforestation in the area) because these contribute equally to global warming. Please don't use the funding to pay for the undersea cable because each island should develop their own energy sources. I urge you to pass this critical funding initiative to ensure that Hawaii has the resources to make the transition to a clean energy economy.

Mahalo for your consideration.

Stuart Coleman
Surfrider Foundation

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SENATE COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

As a person who grew up in Hawaii and has returned from college to be involved in a more sustainable Hawaii, I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. These funds should be directed toward smart grid infrastructure as it is the biggest limitation to Hawaii's clean energy economy. Funds should then be used to incentivize clean energy investment, energy efficiency, and leveraging federal stimulus dollars for energy projects, not necessarily in that order. A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The surcharge will be used to create green jobs locally and help foster local clean energy innovation.

Thank you for the opportunity to testify.

Oliver Kelso
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SENATE COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in strong support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

Aloha to All.

I am in strong support of HB 2421.

I just opened up Hawaii's first public Electric Vehicle Charging Station a month ago after being inspired by President Obama's leadership in accelerating the future of Green Energy in the USA. I did this knowing that any payoff would be years off, and in no way a certainty.

I look forward to the day when we no longer are held hostage by countries that don't support our country's goals.

Hawaii is rich in natural clean energy of all sorts and the sooner we learn to harvest it the better. Taxing oil makes sense even though it may cause some temporary pain at the pump we will adjust. I say this as a business owner with 9 gas eating vehicles that I pay for every week.

I await the coming generation of EV's that will liberate us from the pump.

Mahalo for supporting HB 2421.

Frank Rogers
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Leakmaster Roofing and Waterproofing Co.

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SENATE COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in strong support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

Aloha committee members. I from Green Coconut Living, a sustainable senior living organization striving to make the costs of long-term care affordable. In an effort to do so, I support the \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future as well as decrease our dependence on foreign oil.

Funds should be directed toward our number one resource, which is the people of Hawai'i. This should encompass education programs focused on sustainability for our youth, subsidized local farming, and media campaigns to support localization. Funds should then be used to incentivize clean energy investment, smart grid infrastructure improvements, and leveraging federal stimulus dollars for energy projects. A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The surcharge will be used to create green jobs locally and help foster local clean energy innovation.

Thank you for the opportunity to testify.

Damian Sempio
Green Coconut Living

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SENATE COMMITTEE ON WAYS AND MEANS

**Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair**

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

As longtime residents of Hawaii, we support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future. These funds should be directed toward smart grid infrastructure as it is the biggest limitation to Hawaii's clean energy economy. Funds should then be used to incentivize clean energy investment, energy efficiency, and leveraging federal stimulus dollars for energy projects, not necessarily in that order.

A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The surcharge will be used to create green jobs locally and help foster local clean energy innovation.

Thank you for the opportunity to testify.

**Mike and Lisa Kelso
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SENATE COMMITTEE ON WAYS AND MEANS

**Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair**

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

Aloha,

This bill is a real no brainer. It's a win win for all involved. You can help legislate to clean up our air, reduce our dependency on off island oil and provides new clean green jobs. Do not lose this opportunity by acting out of fear. Please move forward on this smart bold piece of legislature.

Thank you for the opportunity to testify.

Mahalo,
Marvin Heskett

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United States

SENATE COMMITTEE ON WAYS AND MEANS

**Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair**

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

I strongly support House Bill 2421 HD2 SD1 to provide funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i. Our dependence on imported oil leaves us particularly vulnerable to oil prices which are certainly going up again soon. This dependence is also a security issue. A \$5 per barrel tax on oil would provide the needed funding for clean energy and efficiency research, planning, implementation to transition to our preferred clean energy future. 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.

I prefer to pay now and reap the benefits later. And I would like us all to leave a positive legacy for the next generation.

Thank you for the opportunity to testify.

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SENATE COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

Wednesday, March 24, 2010, 9:30am
State Capitol Conference Room 211

Testimony in support of HB 2421 HD2 SD1

Chairs Kim and Tsutsui and members of the committees:

Aloha,

1. I support a \$5 surcharge on each barrel of oil entering Hawai'i to be used to fund our clean energy future.
2. Funds should be directed to energy efficiency projects first with a particular focus on low-income energy efficiency upgrades and solar water heating.
3. Funds should then be used to incentivize clean energy investment, smart grid infrastructure improvements, and leveraging federal stimulus dollars for energy projects.
4. A barrel tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.
5. The surcharge will be used to create green jobs locally and help foster local clean energy innovation.

Thank you for the opportunity to testify.

Mahalo,
Charles Quesnel

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