



Sierra Club Hawai'i Chapter

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HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
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(Testimony is 2 pages long)

TESTIMONY IN STRONG SUPPORT FOR HB 2643

Aloha Chair Morita and Members of the Committees:

The Hawai'i Chapter of the Sierra Club strongly supports HB 2643, which would create a Property Assessed Clean Energy financing system in an effort to remove one of the primary obstacles to the adoption of clean energy: upfront costs. We like to think of this idea as "Clean Energy for All," but it just as easily could be called "jobs, Jobs, JOBS!"

Background:

Hawai'i is precariously reliant on dirty fossil fuels to power our economy. Some 50 million barrels of oil are imported annually, nearly 80% of which originate from foreign sources. In addition, over 805,000 tons of coal are imported into our state. These sources provide power for over 92% of Hawaii's electricity generation (contributing over 23 million tons of climate changing greenhouse gas into our atmosphere annually).

The Challenge:

We've taken steps to encourage clean, renewable energy. But let's be clear. Hawai'i -- with its bright sun and strong trade winds -- lags on residential adoption of clean energy and energy efficiency programs. And we cannot meet our energy goals without broad residential participation.

Why don't more homeowners install clean energy systems or pursue energy efficiency projects? The primary obstacle is upfront cost. We've tried a wide-range of policies -- like expedited permitting, tax incentives, and educational programs -- and yet the installation rate of residential clean energy systems is fairly small. Most homeowners simply do not have \$50,000 or more lying around to install something like a PV system. Even if the homeowner was willing and knew that the system would decrease his or her expenses over time, he or she simply couldn't afford to take this step.

The PACE System (the "Berkeley Model")

Energy Financing Districts (a.k.a Property-Assessed Clean Energy (PACE)) were first proposed by the City of Berkeley, California in 2007 and has received increasing attention as a mechanism for financing residential clean energy projects, including energy efficiency, PV systems, or solar hot water heaters. This model could foster a radical stimulus to Hawai'i's clean energy economy.

What is a PACE? The basic concept requires a governmental body to raise money through the issuance of bonds to fund small clean energy projects (though bonds are not the only possible source of funds). The financing is repaid over a set number of years through an assessment on the property tax bill of only those property owners who choose to participate in the program. The financing is secured with a lien on the property, and, like other taxes, is paid before other claims against the property in the case of foreclosure. There is little or no up-front cost to the property owner, and if the property is sold before the end of the repayment period, the new owner inherits both the repayment obligation and the financed improvements.

Hawai'i Could Lead the Way

We have an opportunity to establish a comprehensive statewide system that would easily make Hawai'i the capitol of renewable energy. HB 2643 issues general obligation bonds (capitol creation) and authorizes the retention of a third-party consultant to assist in creating a county by county system. This model would offer the counties tremendous flexibility -- allowing each county to pursue a traditional PACE model or use state funding -- as well as make it a state priority to encourage and promote the PACE system.

This measure simply is a smart policy. It should lead to the development of a stronger renewable energy market, wean Hawai'i off of fossil fuels, and put more money into the pocket of Hawai'i residents.

Thank you for this opportunity to provide testimony.