

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

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L A T E

Written Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the

COMMITTEE ON WAYS AND MEANS

Wednesday, March 30, 2011

9:00 a.m.

State Capitol, Conference Room 211

in consideration of
HB 1019 HD1 SD1
RELATING TO SUSTAINABILITY.

Good morning Chair Ige, Vice Chair Kidani and Members of the Committee. My name is Richard Lim and I'm the Director of the Department of Business, Economic Development, and Tourism (DBEDT).

HB 1019 HD1 SD1 amends the Environmental Response, Energy, and Food Security Tax (Barrel Tax) to require that 44.75 cents of the tax be deposited into the Energy Security Special Fund, 44.75 cents be deposited into the Agricultural Development and Food Security Special Fund, and 0.5 cents be deposited into a special account for the operations of the Climate Change Task Force.

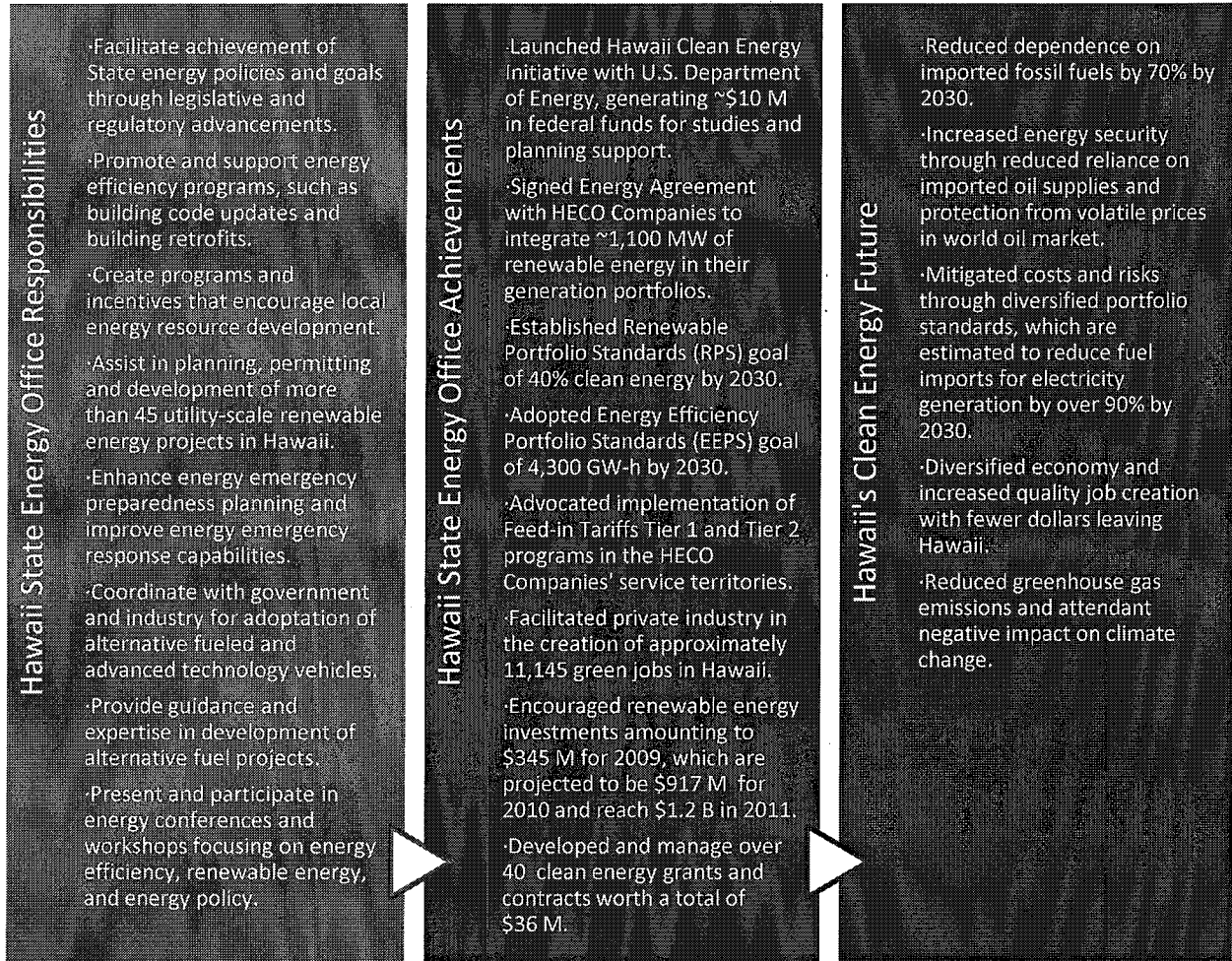
The Department of Business, Economic Development, and Tourism strongly supports this Administration-proposed bill. This bill will provide a sustainable source of funding for Hawaii's energy office programs and personnel, which are critical to achieving Hawaii's energy security and reducing the State's dependence on imported fossil fuels by at least 70% by 2030.

Hawaii State Energy Office Funding to End

Hawaii State Energy Office programs and personnel are currently funded under the Federal State Energy Program Petroleum Violation Escrow Fund (PVE) and the American Recovery and Reinvestment Act of 2009 (ARRA). The PVE and ARRA funds will run out by the end of June 2011 and April 2012, respectively. It is critical and imperative that we establish a sustainable source of funding for the State Energy Office if we are to continue on our journey towards a clean and sustainable energy future.

Energy Office Essential to Achieving Hawaii's Clean Energy Future

In the last three short years, the State Energy Office has achieved so much and has made a difference in effecting Hawaii's energy transformation. Its responsibilities and achievements demonstrate the breadth and depth of its capability in effecting the transformation of Hawaii's energy landscape. From launching the Hawaii Clean Energy Initiative to reaching statewide renewable portfolio standard levels of 18.8% in 2009, the State Energy Office is essential to driving Hawaii toward its clean energy goals.



Although our team has done so much in such a short period, there is still much to be done. A sustainable and predictable source of funding for energy programs and personnel, such as proposed by this bill, is critical if we are to continue our journey toward a clean energy future.

Addressing General Fund Concerns

While there is concern on the impact of this bill on the general fund and the Renewable Energy Tax Credit, we must emphasize that promoting clean energy investments and green jobs not only boost the economy, but also produce tax revenues that would otherwise not exist.

Clean energy investments in Hawaii are growing as a result of State and private efforts, with estimated green jobs for 2010 at 11,145 positions and projected investments for 2011 at approximately \$1.2 billion. These new clean energy investments and green jobs not only bring about revenues, but contribute towards energy security and decreased energy price volatility for consumers.

Additionally, figures from a reputable private renewable energy capital investment firm indicates that for every \$1 the State issues in Renewable Energy Tax Credits for renewable energy systems, the return to the State in the form of additional tax revenues is approximately \$2. These figures are based on the investment firm's standard project costing model.

Moreover, the State Energy Office has brought into the Hawaii economy a total of approximately \$75M in federal grants and funding since 2006, including \$37M of ARRA funds in 2009.

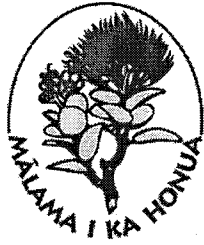
As can be seen, providing funding to promote and incentivize clean energy investments bring about additional benefits and tax revenues that would otherwise not exist.

Positive Impact of this Measure

The funding commitment as provided in this measure is recommended by the Hawaii Economic Development Task Force, which the Legislature established through Act 73, Session Laws of Hawaii 2010. The passage of this measure will allow the Hawaii State Energy Office to fully commit to and execute its responsibilities as outlined above.

Given the State's current economic condition, putting Hawaii's residents back to work is the State's top priority, and we believe the clean energy sector is a vital contributor. From planners, architects and attorneys developing projects, to carpenters and electricians building them, to energy consumers enjoying more stable energy prices, many sectors of the economy benefit from clean energy.

DBEDT strongly supports this bill as critical to continuing our long-term commitment to reducing Hawaii's dependence on imported fossil fuels. We respectfully request your committees to support the passage of HB 1019 HD1 SD1. Thank you for the opportunity to offer these comments in support.



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

L A T E

SENATE COMMITTEE ON WAYS AND MEANS

March 30, 2011, 9:30 A.M.
(Testimony is 1 page long)

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, SD1 WITH PROPOSED AMENDMENTS

Aloha Chair Ige and Members of the Committee:

The Hawai'i Chapter of the Sierra Club *strongly supports* HB 1019 HD1, SD1 which re-establishes financing necessary to ensure planning and implementation of Hawai'i's energy and food security security. The bill is a smart and needed improvement to last year's historic policy.

We do recommend including language to impose a proportionate fee on coal imported into the state. Such a change would increase the funding available to invest in commonsense measures to advance clean energy, phase out life-threatening oil and coal, clean up Hawaii's air and water, protect our families, and create new jobs.

By making such a change, dirty coal could pave the way for a clean and prosperous future for Hawaii. A reasonable tax on dirty coal imports would provide a big boost to Hawaii's clean energy sector by encouraging solar panels, wind farms, and other clean energy projects that can create good jobs right here on the islands.

Mahalo for the opportunity to testify.

L A T E

Testimony of The Nature Conservancy of Hawai'i
Supporting with Amendments H.B. 1019 SD 1 Relating to Sustainability
Senate Committee on Ways and Means
Wednesday, March 30, 2011, 9:30AM, Rm. 211

The Nature Conservancy supports H.B. 1019 SD 1. However, we think the barrel tax revenue should also help address the direct affects of climate change caused by burning fossil fuels.

We recommend this bill be further amended (see attached) to require a small portion of the barrel fee be used to actually help communities and our natural resources cope with the inevitable challenges of climate change caused by emissions from burning fossil fuels.

Act 73 (2010) establishing the barrel tax and the subsequent report of the Economic Development Task Force both acknowledge that consumption of fossil fuels contributes to climate change and the deterioration of Hawai'i's environment. Both state their purpose to "[h]elp Hawai'i's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by...burning fossil fuels." Act 73 further acknowledges that our lives and the economy are intertwined with the health and function of the natural world around us. Yet, surprisingly, neither Act 73 nor the Task Force report take any specific action or make any recommendation to address the direct effects of climate change.

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 indicates 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.

BOARD OF TRUSTEES

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A BILL FOR AN ACT

RELATING TO SUSTAINABILITY.

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

SECTION 1. The Legislature finds that the State needs to direct new revenues towards new priorities and move immediately to drive the clean energy and food sustainability agenda in Hawaii, as well as address the effects of climate change caused by burning fossil fuels. The State of Hawaii relies on imports for approximately ninety per cent of our energy and food needs. This dependency is economically and environmentally unsustainable, and undertaking the important task of energy and food security requires a long-term commitment and investment of substantial financial resources.

Through Act 73, Session Laws of Hawaii 2010, the legislature recognized that it is in the best interest of Hawaii's people to build the capacity needed to become self-sufficient in our energy and food needs as stated in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative". Specifically, Act 73 increased the per-barrel tax on petroleum products under the environmental response, energy, and food security tax, formerly known as the environmental response tax.

In addition, Goal 3 of the Hawaii 2050 Sustainability Plan is that "our natural resources are responsibly and respectfully used, replenished and preserved for future generations." Act 73 states that 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. For these reasons, Act 73 specifically includes in its purposes to help Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by burning fossil fuels.

The legislature further finds and declares that the environmental response, energy, and food security tax was intended to support critical investments in clean energy and local agricultural production in order to reduce the State's dependence on imported fossil fuels and food products, as well as to help Hawaii address the likely effects of climate change caused by burning fossil fuels. As currently apportioned, only a combined \$0.30 of the \$1.05 per-barrel tax is being allocated to the energy security fund and the agricultural development and food security special fund, with just \$0.15 is going to each fund. Nothing is being allocated to address the effects of climate change on communities and Hawaii's environment; while the majority of the funds, \$0.60 per barrel, is going directly to the General Fund. This was clearly not the intent of the aforementioned Act. Increasing the allocated amount from \$0.15 to \$0.405 to the energy security fund and the agricultural development and food security special fund, respectively, as well as allocating \$0.10 to climate change planning, resilience and adaptation, will support the intended purposes of Act 73 of 2010 and is a clear public benefit. In addition to these allocations, this Act also extends the existence of the climate change task force established by Act 20, Special Session Laws of Hawaii 2009, until June 30, 2013.

SECTION 2. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(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 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. 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 deposited into the environmental response revolving fund established under section 128D-2;

- (2) [15] 40 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) [15] 40 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.
- (5) 8 cents of the tax on each barrel shall be deposited into the climate change resilience and adaptation special fund established under section 195D- .
- (6) 2 cents of the tax on each barrel shall be deposited into a special account of the general fund to be expended by the office of planning for the operations of the climate change task force established by Act 20, Special Session Laws of Hawaii 2009."

SECTION 3. Section 128D-2, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(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, energy, and food security tax deposited into the environmental response revolving fund:

- (1) Shall 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
- (2) May also be used to support environmental protection and natural resource protection programs, including energy conservation and alternative energy development, and to address concerns related to air quality, ~~global warming~~ climate change, 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 4. 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) Addressing threats posed by invasive species;
- (5) The restoration of forests for the purposes of carbon sequestration and other ecosystem services;
- (6) The purchase of necessary equipment;
- (7) The conduct of necessary research and planning;
- (8) To fund, to the extent possible, the climate change task force; and

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 5. Act 20, Special Session Laws of Hawaii 2009, section 2 is amended by amending subsection (c) to read as follows:

"(c) The task force shall:

- (1) Submit a preliminary 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 [~~2010~~] 2012; and
- (2) Submit a final 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~~] 2013."

SECTION 6. Act 20, Special Session Laws of Hawaii 2009, section 2, is amended by amending subsection (e) to read as follows:

"(e) The task force shall cease to exist on June 30, [~~2011~~] 2013."

SECTION 7. There is appropriated out of any portion of the environmental response, energy, and food security tax collected and allocated to the climate change task force, pursuant to section 243-3.5, Hawaii Revised Statutes, one hundred per cent of that portion or so much thereof as may be necessary for fiscal year 2011-2012 and the same sum or so much thereof as may be necessary for fiscal year 2012-2013 for the purposes of this Act.

The sums appropriated shall be expended by the office of planning for the purposes of this Act.

SECTION 8. This Act does not affect the rights and duties that matured, penalties that were incurred, and proceedings that were begun, before its effective date.

SECTION 9. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 10. This Act shall take effect on June 29, 2011; provided that the amendments made to section 243-3.5(a), Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on June 30, 2015, pursuant to section 14 of Act 73, Session Laws of Hawaii 2010..

From: Windward Ahupua`a Alliance [info@waa-hawaii.org]
Sent: Tuesday, March 29, 2011 5:45 PM
To: WAM Testimony

COMMITTEE ON WAYS AND MEANS

Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair

L A T E

Decision-Making
9:30 am
Wednesday, March 30, 2011
Conference Room 211

HB1019 HD1 SD1 - RELATING TO SUSTAINABILITY

Authorizes the revision of allocation from the Environmental Response, Energy and Food Security Tax. Extends the existence of the Climate Change Task Force until 6/30/13

STRONGLY SUPPORT

The purpose of this bill is take funding from taxes on fossil fuels to address food and fuel security issues, continue to fund for environmental response disasters such as oil spills as well as to re-authorize the **Climate Change Task Force** which was never funded after **ACT 20 - SPECIAL SESSION 2009** was passed.

The *Windward Ahupua`a Alliance* first became involved in these issues in 2005 after I attended an international conference dealing with a wide range of issues on fossil fuels, renewable energy & climate change issues. I came back from the conference committed to making sure that all three levels of government address them as soon as possible.

it makes sense that fossil fuel taxes be used to address these issues. Therefore, I urge that you pass this out **HB1019 HD1 SD1 - RELATING TO SUSTAINABILITY** unamended.

Mahalo for the opportunity to submit this testimony.

Shannon Wood, *President*

Windward Ahupua`a Alliance

PLANT A NATIVE TREE CAMPAIGN

P.O. Box 6366

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Voicemail: 808/247-6366; Cellular: 808/223-4481 or 808/224-4496 (personal)

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Website: <http://www.plantanativetree.org>; <mailto:info@plantanativetree.org>

March 30, 2011

Ways and Means Committee
Hearing on 3/30/11 9:30 am

L A T E

Testimony in Support of House Bill 1019

My name is Lisa Hinano Rey, and I am an activist and passionate about environmental issues. I have campaigned for President Obama's Hawaii chapter of Organizing for America and I am currently Subcommittee Chair of Energy and Climate Change for The Environmental Caucus of the Democratic Party of Hawai'i.

I wish to testify officially and on behalf of the Environmental Caucus of the Democratic Party in support of House Bill 1019 – Relating to Allocation of Environmental Response, Energy and food security tax and Climate change task force funding.

It is critical that we do everything possible to invest in and encourage food sustainability here in Hawaii. We cannot continue to import all our food sources from outside Hawaii. For our long term security and benefit of future generations we must explore avenues of import substitution. Likewise we must invest in clean energy so that State of Hawaii can meet its Clean Energy Goals reducing our dependence on imported fuel.

Furthmore, this legislation is made more powerful by including funding for and extending the life of the Climate Change task force.

Here in Hawaii we recognize and we acknowledge what the Ocean represents for island communities. We realize that the Ocean is a sacred, essential entity and is subject to a **climate crisis of human origin**. Therefore we must do what is within our power to protect and better manage with sustainable practices the ocean for the sake of our ancestors and for the benefit of future generations.

House bill 1019 is a positive step in the right direction and should be passed.
Please support HB 1019.

Thank you for the opportunity to provide testimony.

Lisa Hinano Rey

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 30, 2011 7:47 AM
To: WAM Testimony
Cc: paul.luersen@ch2m.com
Subject: Testimony for HB1019 on 3/30/2011 9:30:00 AM

Testimony for WAM 3/30/2011 9:30:00 AM HB1019

L A T E

Conference room: 211
Testifier position: support
Testifier will be present: No
Submitted by: Paul V Luersen
Organization: Individual
Address:
Phone:
E-mail: paul.luersen@ch2m.com
Submitted on: 3/30/2011

Comments:

We need to fund new priorities and move immediately to drive the clean energy and food sustainability agenda in Hawaii. I support HB1019.

Thank you,
Paul