



Hawaii Farm Bureau
F E D E R A T I O N

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February 28, 2012

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 2512, SD1
RELATING TO SUSTAINABILITY

Room 211
9:00 AM

Chair Ige, Vice Chair Kidani, and Members of the Committee:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFBF strongly supports SB 2512, SD1, which increases the amount of the per-barrel allocation of the barrel tax to the Energy Security Special Fund and the Agricultural Development and Food Security Special Fund from 15 cents to 45 cents.

Sustainability, self-sufficiency and growing agriculture are popular concepts seen in many of the measures before the legislature this year. This Legislative Session, there have been many bills introduced that support of Hawaii's Agricultural Industry. This year, HFBF has introduced a package of measures addressing the real needs of our farmers and ranchers all associated with increasing farm and ranch viability. These include infrastructure needs, agricultural crime, permitting, and regulatory assistance.

Many of the bills introduced in support of agriculture identify the Agricultural Development and Food Security Fund as the funding source. If the Agricultural Development and Food Security Fund allocation isn't increased, these critical agriculture initiatives may go unfunded. HFBF respectfully request your support of this measure.

I can be reached at (808) 848-2074 if you have any questions. Thank you for the opportunity to testify on this matter.



Sierra Club Hawai'i Chapter

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SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2012, 9:00 A.M.
(Testimony is 1 page long)

TESTIMONY IN STRONG SUPPORT OF SB 2512 (SD1) WITH PROPOSED AMENDMENT

Aloha Chair Ige and Members of the Committee:

The Hawai'i Chapter of the Sierra Club *strongly supports* SB 2512 SD1 which 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 the historic policy adopted two years ago.

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.



SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2012, 9:00 A.M.

Room 211

(Testimony is 5 pages long)

TESTIMONY IN STRONG SUPPORT OF SB 2512 SD1

Chair Ige and members of the Ways and Means Committee:

The Blue Planet Foundation strongly supports SB 2512 SD1, a measure adopting the critical recommendations of the Hawaii Economic Development Task Force regarding Hawaii's keystone clean energy policy, the barrel tax. This measure seeks to correct the deficiencies in the original Act 73, 2010, and further the work of the Task Force by:

- Extending the sunset date of the environmental response, energy, and food security tax;
- Increase the allocations of the environmental response, energy, and food security tax to the energy security special fund, the environmental response revolving fund, the energy systems development special fund, and the agricultural development and food security special fund;
- Transition the Hawaii Economic Development Task Force to the Hawaii Food and Energy Security Council, which will remain in existence through June 30, 2014; and
- Increase the spending caps for the State Energy Office and the Department of Agriculture to make use of the barrel tax funds.

Hawaii's barrel tax law is foundational clean energy policy that provides for dedicated investment in clean energy, funding the critical planning, development, and implementation of clean energy programs that will foster energy security for Hawaii. Blue Planet believes the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel. We have also found, through three separate surveys commissioned by Blue Planet, that Hawaii residents strongly support this taxing policy.

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Rationale for expanding the Barrel Tax Policy in 2012

If we truly want to rapidly transition Hawaii to a clean, sustainable energy future, we have to be prepared to invest in that preferred future today. The price of oil well exceeds \$100 per barrel in 2012, and recent unrest in the Middle East and unease toward nuclear energy after the Japan crisis will keep oil prices high. We must act aggressively now.

According to three separate surveys commissioned by Blue Planet, over two-thirds of Hawaii 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 Hawaii's clean energy future. Unfortunately, the policy passed in 2010 directed 60-cents of the barrel tax to the general fund. We believe that reallocating these funds to the original intent behind the policy—food and energy security—will better align the policy with the desire of residents.

Hawaii is the most dependent state in the nation on imported oil. Over 40 million barrels are imported annually, nearly 90% of which originate from foreign sources¹. In addition, **more than 930,000 tons of coal** are imported into our state². These sources supply power for over 95% of Hawaii's overall energy needs. The combustion of these resources also contributes more than 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 imported fossil fuel that the state consumers. 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.

By dedicating the majority of the barrel tax to clean energy initiatives (with the balance food security and oil spill response), this policy would provide 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 Hawaii, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present.

Carbon Tax is Smart Tax Policy

A fossil fuel 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,

¹ The State of Hawaii Data Book, 2010

² *Ibid.*

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

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.

A “clean energy” surcharge on a barrel of oil of \$1 is approximately the same as a carbon tax of \$2.00 per ton of carbon dioxide (CO₂)⁴. It has a marginal impact on petroleum users, yet significantly increases the state’s ability to deliver energy efficiency investments and clean energy project funding. A \$2.00 “carbon tax” is lower than many carbon taxes currently in place. 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. That tax has raised nearly \$1 billion dollars⁵. In 2011, Australia passed a carbon tax of \$23.50 per ton (increasing 2.5% annually until 2015) on the 500 largest carbon dioxide polluters nationwide⁶.

Public Support

Blue Planet Foundation conducted market research in December 2009, March 2010, and December 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 roughly 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.

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. *Please see chart at end of testimony.*

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

⁵ <http://www.fin.gov.bc.ca/tbs/tp/climate/A6.htm>

⁶ Wall Street Journal, “Australia’s Carbon Tax Clears Final Hurdle,” November 8, 2011.

Extending the sunset date and Food & Energy Security Council

Blue Planet strongly supports extending the sunset date for the barrel tax to ensure continued funding for Hawaii's critical food and energy security programs into the future. We also support extending the sunset date for the Hawaii Economic Development Task Force to June 30, 2014 and transitioning the Task Force to the "Food and Energy Security Council." We believe that the Task Force was an effective organization of individuals who worked very constructively together to help analyze and shape plans to promote Hawaii's food and energy security. This effort—all volunteer—should continue.

The fossil fuel tax should include coal imports

Blue Planet strongly supports expanding the barrel tax to include other carbon fuel imports such as coal. The purpose of such an expansion is to ensure consistent taxing policy across Hawaii's fossil fuel imports (not inappropriately incentivizing one over the other) and to increase revenue for clean energy and food security programs. Hawaii imports approximately 1.8 billion pounds of coal (930,000 tons) annually for electricity production. Most of this coal is of the subbituminous variety and is imported from Indonesia.

Coal is among the dirtiest of fossil fuels, with the highest carbon intensity. Mining, shipping, toxic emission, and climate change impacts increase the actual price of coal well beyond its "market price"—a recent Harvard Medical School study⁷ estimates that those additional costs exceed the real cost by three- or four-fold (added cost of up to \$0.27 per kilowatt-hour produced). Just two years ago a bulk carrier hauling coal grounded itself on the reef entering Barbers Point Harbor⁸. Coal has significant environmental impacts.

One short ton of coal has approximately four to six times the energy and carbon density as one barrel of oil⁹. Blue Planet therefore believes that a carbon tax of \$5 per ton of coal imported to Hawaii is equivalent to a \$1.05 per barrel tax currently in place. At current Hawaii coal importation rates (approximately 930,000 short tons annually), simply expanding the barrel tax to coal would yield nearly \$5 million annually for clean energy and food security programs.

While it's clear that we need to aggressively increase our energy efficiency and clean energy use in Hawai'i to decrease our reliance on imported crude, we cannot do it without adequate funding for development and implementation. We believe the amendments offered in SB 2512

⁷ chge.med.harvard.edu/programs/ccf/documents/MiningCoalMountingCosts.pdf

⁸ <http://www.hawaiinewsnow.com/global/story.asp?s=11941472>

⁹ www.epa.gov/greenpower/pubs/calcmeth.htm

SD1 will allow Hawaii to achieve the original intent of the barrel tax policy, tapping the source of our problem—imported fossil fuel—to fund a food- and energy-secure future.

Thank you for the opportunity to testify.

Resident Support for Barrel Tax

