



LATE

HOUSE COMMITTEE ON FINANCE

February 25, 2013, 11:00 A.M.

Room 308

(Testimony is 3 pages long)

TESTIMONY IN SUPPORT OF HB 857 HD1

Chair Luke and members of the Finance Committee:

The Blue Planet Foundation strongly supports HB 857 HD1, reallocating the funds collected through the Environmental Response, Energy, and Food Security Tax to carry out the intended sustainability purposes of the policy. This measure also repeals the sunset date for the tax. We believe that this measure properly amends Hawaii's "fossil fuel fee" to reflect the original intent of the policy. Blue Planet has found that the policy of taxing our fossil fuel imports to fund clean energy solutions has broad support among Hawaii residents.

In addition to HB 857 HD1, Blue Planet requests that the Senate give favorable consideration to HB 451, a measure heard and deferred last week, which would expand Hawaii's fossil fuel fee to include other fossil fuel imports such as industrial methane (LNG) and coal.

Rationale for reallocation of the fossil fuel fee

Hawaii's barrel tax law is keystone clean energy policy that provides a 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.

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 reallocation of the fossil energy tax 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. The majority of these revenues should be directed to clean energy planning, development, integration, incentives, and other activities facilitating Hawaii's energy transformation.

A rational nexus exists between Hawaii's fossil fuel imports and clean energy planning and research. By providing this dedicated revenue source from a fossil energy tax to fund the State Energy Office, the state can commit to make the transition to clean energy sources without relying on general fund appropriations which must compete against every other state priority.

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, 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.

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.*

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 with appropriate amendments to HB 857 HD1, Hawaii can wisely tap the source of its problem—imported fossil fuel—to fund a food- and energy-secure future.

We respectfully ask these committees to forward HB 857 HD1.

Thank you for this opportunity to testify.

