



LATE

Thursday, January 31, 2013 2:45 P.M.
State Capitol, Conference Room 225
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Testimony in Opposition with proposed amendments of SB 17

Chair Gabbard, Vice Chair Ruderman, Members of the Senate Committee on Energy and Environment, my name is Joe Boivin and I am the Senior Vice President for Public Affairs and Communications at HAWAII'IGAS testifying in opposition, with proposed amendments to SB 17. HAWAII'IGAS is the only franchised gas utility in the state of Hawai'i, providing gas service to over 70,000 utility and tank and bottled gas customers throughout the state. We currently make most of our gas on O'ahu by refining naphtha supplied by the Tesoro Refinery into synthetic natural gas. With the pending shut down of the Tesoro Refinery, HAWAII'IGAS is moving forward with a plan to bring liquefied natural gas ("LNG") from the Continental United States to Hawai'i within the next several months. LNG will first be used as backup for our existing customers in the event of a supply disruption. We plan to eventually expand the use of LNG to further reduce our reliance on naphtha and serve the needs of specialized customers on Oahu and neighbor islands.

HAWAII'IGAS opposes SB 17 as written because it does not fairly treat natural gas as a clean energy resource. According to the Environmental Protection Agency¹, natural gas emits 33% less carbon dioxide, four (4) times less nitrogen oxide, a thousand (1,000) time less sulfur dioxide and ten (10) times less particulates when burned as compared to oil or coal. Placing an environmental tax on fuel sources based on their energy content of \$1.05 per 5.8 million British

¹ See Environmental Protection Agency website Calculations and References at <http://www.epa.gov/cleanenergy/energy-resources/refs.html>

Thermal Units does not adequately reflect the different environmental impacts of each resource. Nor does the tax consider the environmental impacts of burning coal, which is a primary source of fossil fuel energy in Hawai'i.

HAWAI'IGAS therefore proposes SB 17 be amended to tax the potential carbon dioxide emissions from coal, petroleum and other liquid and gaseous fuels at a rate of \$2.44 per metric ton. This amount is equivalent to the \$1.05 per 5.8 million British Thermal Units for oil and would therefore yield the same amount of revenue from oil. In this way, energy sources with the highest carbon emissions are also the taxed the most to drive Hawaii to cleaner fuels.

Thank you.

relating to fossil fuels.

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

SECTION 1. The legislature finds that there are significant benefits to importing natural gas as a fuel source including reductions in carbon dioxide, nitrogen oxide, sulfur oxide and particulate matter emissions and cost savings for energy customers. However, the importation of liquid natural gas will decrease the revenue derived from the environmental response, energy, and food security tax on petroleum products. The purpose of this Act is to levy the environmental response, energy, and food security tax on coal and petroleum fossil fuels and clean natural gas based on their carbon dioxide content to help drive Hawaii to cleaner energy future.

SECTION 2. Section 243-3.5, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(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] fossil fuels based on their respective amount of potential carbon dioxide emissions sold by a distributor to any retail dealer or end user of [petroleum product,] fossil fuels, other than a refiner. The tax shall be \$2.44 per metric ton of potential carbon dioxide emissions or fractional part thereof [on each barrel or fractional part of a barrel] of [petroleum product] fossil fuels that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

(1) 4.76% [5 cents] of the tax [on each barrel] shall be deposited into the environmental response revolving fund established under section 128D-2;

(2) 14.28% [15 cents] of the tax [on each barrel] shall be deposited into the energy security special fund established under section 201-12.8;

(3) 9.52% [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) 14.28% [15 cents] of the tax [on each barrel] shall be deposited into the agricultural development and food security special fund established under section 141-10.

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

2. By amending subsection (d) to read:

"(d) Every distributor shall keep in the State and preserve for five years a record in such form as the department of taxation shall prescribe showing the total [number of barrels and the fractional part of barrels of petroleum product] number of metric tons of potential carbon dioxide emissions [sold] by the distributor during any calendar month. The record shall show such other data and figures relevant to the enforcement and administration of this chapter as the department may require."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2013, and shall be repealed on June 30, 2015; provided that section 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which it read on June 30, 2010.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

LATE

Before the Senate Committee on Energy and the Environment
February 5, 2013, 2:45 PM, Conference Room 225
SB 17: RELATING TO FOSSIL FUELS

Aloha Chair Gabbard, Vice-Chair Ruderman, and members of the Senate Committee on Energy and the Environment,

On behalf of the Hawaii Solar Energy Association (HSEA), I would like to testify **in support of SB 17**, which levies the environmental response, energy, and food security tax on liquid or gaseous fossil fuels. HSEA is a non-profit trade organization that has been advocating for solar energy since 1977, with an emphasis on residential distributed generation and commercial for both solar hot water (SHW) and photovoltaics (PV). We currently represent 71 companies, and our members include installers, contractors, manufacturers, distributors, the utility, and others. With 35 years of advocacy behind us, HSEA's goal is to work for a sustainable energy future for all of Hawaii.

LNG is a fossil fuel

Due to recent developments in drilling technology, LNG previously not economical to extract has become available to the world market. Although the selling price for LNG is currently less than that of traditional fossil fuels, there is no escaping the simple fact that regardless of the method of extraction LNG is still a non-renewable fossil fuel. LNG should therefore pay the same barrel tax currently levied on other fossil fuels being exported to Hawaii.

LNG not free from doing environmental harm

In addition, although LNG is touted as a "clean" fossil fuel with less particulates and carbon dioxide when compared with coal, LNG still pollutes the atmosphere. Although lower in carbon dioxide emissions when burned, LNG has a higher proportion of methane gas, which is a powerful greenhouse gas. In addition, there are many concerns as to the potential damage caused by the new "fracking" technology where gas containing shale is fractured underground and then flooded with a solution that extracts the gas. Thus, given LNG's non-renewable status and its potential to harm the environment, LNG should be levied the fee just like other fossil fuels imported to Hawaii. Let's not subsidize a fuel that might only serve to prolong our dependence on non-indigenous fuel.

Thank you for the opportunity to testify.

Leslie Cole-Brooks
Executive Director
Hawaii Solar Energy Association

SB17

Submitted on: 1/31/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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