



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

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Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Tuesday, February 25, 2014  
2:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**HB 2256**  
**RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD  
SECURITY TAX REPEAL DATE.**

Chair Luke, Vice Chairs Nishimoto and Johanson and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **strongly supports** HB 2256, a priority of the Administration that extends the sunset date of the Environmental Response, Energy, Food Security Tax (“barrel tax”) from June 30, 2015 to June 30, 2030 to firmly align resources with the State’s established 2030 clean energy mandates.

The Hawaii Clean Energy Initiative (HCEI) was passed by the Legislature in Act 155, Session Laws of Hawaii 2009 and codified through Hawaii Revised Statutes Sections 269-92 and 269-96. These laws established our state’s Renewable Portfolio Standard (RPS) and Energy Efficiency Portfolio Standard (EEPS) in a manner to achieve an aggressive 70% clean energy goal by 2030. This measure extends the State’s commitment to Hawaii’s policy objectives set in Chapter 269 and as passed by the Legislature in Act 73, Session Laws of Hawaii 2010, to improve energy and food self-sufficiency through the establishment of the barrel tax.

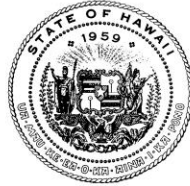
Significant investments in analysis, planning and infrastructure are required to transform Hawaii's economy and reduce its historical dependence on imported fossil fuel towards achieving HCEI's 2030 mandates. By Statute, the DBEDT Director is the State's Energy Resources Coordinator (ERC), and in order to fulfill these statutory duties, the State Energy Office is responsible for planning and carrying out the State's energy agenda and for identifying the high impact solutions that make the biggest difference in fulfilling the State's energy objectives. Such high impact solutions have included technical analysis on renewable and grid technologies, developing innovations in clean energy financing, self-service tools to enable investor and developer activity, and facilitating energy savings performance contracts. Dedicated energy funds from the barrel tax (Energy Security Special Fund) have provided critical seed funding for HCEI and are now the primary source for the State Energy office to implement HCEI.

The State is now positioned well to meet and exceed its 15% interim RPS for 2015 based on the last 5 years of clean energy development. Through these investments and activities, clean energy has also provided significant positive contributions to economic development and jobs—in 2012, over 28% of all construction expenditures were solar-related.

However, achieving our 2020 and 2030 clean energy goals will require continued effort, innovation, and resources. The impending sunset of the barrel tax at the end of FY 2015 leaves uncertainty in funding for many of our State's clean energy and food security initiatives and may put the achievement of our State's long-term goals of energy and food self-sufficiency at risk.

This resource strategy enables alignment with the State's 2030 clean energy goals to continue progress and plan development for clean energy infrastructure in Hawaii as well as provides support for the Department of Agriculture and Department of Health to respectively undertake food self-sufficiency and equip for an environmental response. This measure enables further commitment and continuation of long-term HCEI programmatic activity, and continues legislative oversight for, and responsible use of and deployment of funds.

Thank you for the opportunity to offer testimony in support of HB 2256.



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. Box 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
File:

## HOUSE COMMITTEE ON FINANCE

### H.B. 2256, Relating to the Environmental Response, Energy, and Food Security Tax Repeal Date

Testimony of Gary Gill  
Deputy Director, Environmental Health Administration

February 25, 2014  
2:00 p.m.

1 **Department's Position:** The Department of Health **STRONGLY SUPPORTS** this administration bill.

2 **Fiscal Implications:** The measure's extension of the repeal date of Act 73 sections 2, 3, 4, and 7 from  
3 June 30, 2015 to June 30, 2030 will ensure the ongoing availability of Environmental Response, Energy,  
4 and Food Security Tax (Barrel Tax) funds for emergency response, clean energy, and food security into  
5 the future.

6 **Purpose and Justification:** This measure's extension of the repeal date from June 30, 2015 to June 30,  
7 2030 will ensure the ongoing availability of Barrel Tax funds for the Environmental Response  
8 Revolving Fund (ERRF), which assures the State's ability to respond to and protect Hawaii from the  
9 devastating impact of oil, chemical, and other potentially dangerous spills, such as molasses, on public  
10 health and safety, the environment, and the economy. The ERRF also funds preemptive measures,  
11 including the testing of potential or likely contaminated sites, remediation of contaminated sites, testing  
12 of state waters, and the regulation and management of solid and hazardous wastes.

1           The Department of Health also recognizes the ongoing importance of Barrel Tax funds to the  
2 Energy Security Special Fund, which is critical to the Hawaii Clean Energy Initiative, as well as to the  
3 Agricultural Development and Food Security Special Fund. The extension of the repeal date from June  
4 30, 2015 to June 30, 2030 will ensure the ongoing availability of these funds from the Barrel Tax. For  
5 these foregoing reasons, the Department of Health strongly supports H.B. 2256.

6           Thank you for the opportunity to testify on this important measure.

finance1

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, February 24, 2014 11:29 AM  
To: FINTestimony  
Cc: cmanfredi@kaufarmandranch.com  
Subject: \*Submitted testimony for HB2543 on Feb 25, 2014 11:15AM\*

**HB2543**

Submitted on: 2/24/2014

Testimony for FIN on Feb 25, 2014 11:15AM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chris Manfredi	Hawaii Farm Bureau	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Extend environmental response, energy and food security tax

BILL NUMBER: SB 2805; HB 2256 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

BRIEF SUMMARY: Amends Act 73, SLH 2010, to extend the repeal date of the environmental response, energy and food security tax from June 30, 2015 to June 30, 2030.

This act shall be repealed on June 30, 2030 and HRS 243-3.5 shall be reenacted in the form in which it read on June 30, 2010.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: This is an administration measure submitted by the department of business, economic development and tourism BED-07(14). The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into the environmental response revolving fund; 15 cents shall be deposited into the energy security special fund, 10 cents shall be deposited into the energy systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

It should be remembered that when the environmental response tax was initially adopted, it was established for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state.

Now that the fund has become a cash cow, lawmakers have placed other responsibilities on the fund, including environmental protection and natural resource protection programs, such as energy conservation and alternative energy development, to address concerns related to air quality, global warming, 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 of health.

It should be noted that the enactment of the barrel tax for the environmental response revolving fund is the classic effort of getting one's foot in the door as it was initially enacted with a palatable and acceptable tax rate of 5 cents and subsequently increasing the tax rate once it was enacted which is what it has morphed into as evidenced by the \$1.05 tax rate. Because the tax is imposed at the front end of the product chain, the final consumer does not know that the higher cost of the product is due to the tax. Thus, there is little, if any, accountability between the lawmakers who enacted the tax and the vast majority of the public that ends up paying the tax albeit indirectly. Proponents ought to be ashamed that

they are promoting a less than transparent tax increase in the burden on families all in the name of environmental protection and food security.

It should be remembered that the State Auditor has singled out the environmental response revolving fund as not meeting the criteria established for legitimacy of special funds, and recommended that it be repealed. The Auditor criticized the use of such funds as they hide various sums of money from policymakers as they are not available for any other use and tend to be tacitly acknowledged in the budget process. More importantly, it is not only the users of petroleum products who benefit from a cleaner environment, but it is the public who benefits. If this point can be accepted, then the public, as a whole, should be asked to pay for the clean up and preservation of the environment.

Funds deposited into a revolving fund are not subject to close scrutiny as an assumption is made that such funds are self-sustaining. Earmarking of funds for a specific program represents poor public finance policy as it is difficult to determine the adequacy of the revenue source for the purposes of the program. To the extent that earmarking carves out revenues before policymakers can evaluate the appropriateness of the amount earmarked and spent, it removes the accountability for those funds. There is no reason why such programs should not compete for general funds like all other programs which benefit the community as a whole.

Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund should be funded through the general fund. At least program managers would then have to justify their need for these funds. By continuing to special fund these programs, it makes a statement that such programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer.

Digested 1/29/14



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Tuesday, February 25, 2014 at 2:00 P.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2256 RELATING TO THE ENVIRONMENTAL  
RESPONSE, ENERGY, AND FOOD SECURITY TAX REPEAL DATE**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii **opposes** HB 2256 Relating to the Environmental Response, Energy, and Food Security Tax Repeal Date.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The Chamber supports renewable energy as part of Hawaii’s energy future. At the same time, the Chamber would like to see a review of the funds spent and the benefits to the taxpayer before this bill is enacted. These taxes affect both business and consumers and the programs should be reviewed to see if the programs receiving these funds were effective.

Thank you for the opportunity to express our views on this matter.





COLLEGE OF SOCIAL SCIENCES  
**HAWAII ENERGY POLICY FORUM**  
UNIVERSITY OF HAWAI'I AT MĀNOA

**Hawaii Energy Policy Forum**

anne Schultz Afuvai, Hawai'i Institute for Public Affairs  
abbie Alm, Hawaiian Electric Co.  
ny Asselbaye, Office of US Congresswoman  
Tulsi Gabbard  
Boivin, Hawai'i Gas  
arren Bollmeier, Hawaii Renewable Energy Alliance  
bert Chee, Chevron  
p. Denny Coffman, Hawai'i State House of Representatives  
izabeth Cole, The Kohala Center  
slie Cole-Brooks, Hawai'i Solar Energy Assn  
le Datta, Ulupono Initiative  
ura Dierenfield, Queen Lili'uokalani Trust  
tch Ewan, UH Hawai'i Natural Energy Institute  
/ Fidell, ThinkTech Hawai'i, Inc.  
rl Freedman, Haiku Design & Analysis  
n. Mike Gabbard, Hawai'i State Senate  
ark Glick, State Energy Office, DBEDT  
stin Gruenstein, City & County of Honolulu  
le Hahn, Office of Senator Brian Schatz  
chael Hamnett, Research Corporation of the UH  
bert Harris, Sierra Club  
illiam Kaneko, Hawai'i Institute for Public Affairs  
n Kelly, Kaua'i Island Utility Cooperative  
rren Kimura, Energy Industries Holdings  
ily King, Sustainable Biodiesel Alliance  
representative Chris Lee, Hawai'i State House of Representatives  
adys Marrone, Building Industry Assn of Hawai'i  
ug McLeod, Maui County  
phen Meder, UH Center for Smart Building and Community Design  
uren Montez-Hernandez, Office of Senator Mazie Hirono  
rmina Morita, Public Utilities Commission  
aron Moriwaki, UH Social Sciences Public Policy Center  
n Nelson, U.S. Defense Energy Support Center  
m O'Connell, U.S. Department of Agriculture, Rural Development  
frey Ono, Division of Consumer Advocacy, DCCA  
inteh K. T. Park, Office of Congresswoman Colleen Hanabusa  
elissa Pavlicek, Hawaii Public Policy Advocates, LLC  
ck Rocheleau, UH Hawai'i Natural Energy Institute  
ill Rolston, Hawai'i County  
ter Rosegg, Hawaiian Electric Co.  
ley Saito, SunPower Systems Corp  
elle Simonpietri, U.S. Pacific Command Energy Office  
Ray Starling, Hawaii Energy  
l Linn Sue, Hawaii Government Employees Assn  
n Sullivan, Kaua'i County  
nce Tanaka, Tesoro Hawai'i Corp  
ria Tome, State Energy Office, DBEDT

Testimony of Sharon Moriwaki  
Co-chair, Hawaii Energy Policy Forum  
Before the  
House Committee on Finance

Tuesday, February 25, 2014, 2:00 p.m., Conference Room 308

**IN SUPPORT OF HB 2256**– Relating to the Environmental Response, Energy,  
and Food Security Tax Repeal Date

The Hawai'i Energy Policy Forum is an organization, created in 2002, comprised of 46 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environment and community groups, renewable energy industry, and federal, state and local government, including the neighbor islands. Our vision, mission, and comprehensive "10 Point Action Plan" serve as our guide in advancing Hawai'i's preferred energy goals.

HB 2256 amends Act 73, relating to the environmental response, energy, and food security tax ("barrel tax"), to extend the repeal date from June 30, 2015 to June 30, 2030, to align funding to achieve the State's 2030 clean energy goals.

The Forum has supported the barrel tax and its uses as the only way to consistently provide the significant funding and investment needed to attain Hawai'i's ambitious clean energy goals -- 70% clean energy by 2030.

HB 2256 provides the needed consistent and long-term financing required to transform our energy system to meet the ambitious goals of the Hawaii Clean Energy Initiative adopted by the legislature in 2009. The State must invest in that future regardless of our fiscal condition or the price of oil. We must stay the course to that commitment, continuing the barrel tax until 2030 – the date when we will be using 70% clean energy.

The Forum therefore supports HB 2256 and urges your passage of the bill.

Thank you for the opportunity to testify.

*This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.*



**Testimony of Hawai'i Green Growth  
In Support of HB 2256 Relating to the Environmental Response, Energy and Food  
Security Tax Repeal Date**

**House Committee on Finance**

25 February 2014, 2:00pm  
Conference Room 308

Audrey Newman  
Hawai'i Green Growth  
P.O. Box 535 Ho'olehua, Hawai'i 96729

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

I am writing on behalf of Hawai'i Green Growth (HGG) in **support of HB 2256** to amend the repeal date for the Environmental Response, Energy and Food Security Tax (Barrel Tax) from June 30, 2015 to June 30, 2030. HGG members agreed this is a top priority for legislative action because it will significantly advance sustainability in Hawai'i.

HGG is a multi-sector partnership committed to achieving a resilient, sustainable Hawai'i. HGG's members include more than 80 leaders and advisors from government, business and non-profit organizations across the energy, food, environment, green jobs and other sectors.

This tax provides invaluable, sustained support to state agencies leading our clean energy, food security and emergency environmental response programs. Barrel tax support is critical to development and implementation of actions that will achieve the Hawai'i Clean Energy Initiative's goal to reduce the State's dependence on imported fossil fuels by 70% in 2030. Extending the sunset date will align it with achieving this statewide target.

The barrel tax also provides critical, ongoing support for Department of Agriculture programs aimed to at least double local food production by 2030, which is another 2030 target strongly endorsed by Hawai'i Green Growth.

We ask for your support to extend the barrel tax sunset date to 2030 and continue critical investments that will allow these sectors to achieve their goals in increasing Hawaii's self-sufficiency. These investments will help build a more diversified economy and a more resilient and sustainable future for everyone in Hawai'i.

Mahalo nui for your time and consideration,

A handwritten signature in black ink that reads "Audrey Newman". The signature is written in a cursive, flowing style.

**Audrey Newman**

Senior Advisor & Coordinator, Hawai'i Green Growth (HGG)

*Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy*



P.O. Box 253, Kunia, Hawai'i 96759  
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February 25, 2014

HEARING BEFORE THE  
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2256  
RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD  
SECURITY TAX REPEAL DATE

Room 308  
2:00 PM

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFB). Organized since 1948, the HFB is comprised of 1,832 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.

**HFB supports HB 2256** which extends the sunset date of the environmental response, energy, and food security tax to June 30, 2030.

The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization opposed to new taxes, HFB took an unusual step by supporting the environmental response, energy, and food security tax, or barrel tax. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industry.

The barrel tax was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We understand that some of the proceeds continued to benefit agriculture.

As our economy rebounds, it is time to restore the original intent of the measure to focus to import replacements and to meet new needs of agriculture. We respectfully request your strong support of this measure along with consideration of reallocation of funds.

Thank you for the opportunity to comment on this measure.



## HOUSE COMMITTEE ON FINANCE

February 25, 2014, 2:00 P.M.  
*(Testimony is 1 page long)*

### TESTIMONY IN SUPPORT OF HB 2256

Aloha Chair Luke and Members of the Committee:

The Sierra Club of Hawai'i, with over 12,000 dues paying members and supporters statewide, **supports** HB 2256. This measure extends a smart tax-shifting policy designed to foster greater energy and food independence by tapping into the source of our problem so as to fund our preferred future.

The concept behind this 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. This measure would provide additional funds to programs to offset the environmental impacts of oil, provide funding for energy efficiency projects and development of renewable energy, as well as spark greater amounts of local food development critical for Hawai'i's long-term future.

While we all likely agree we need to aggressively increase our clean energy use and local food production in Hawai'i, we cannot do it with funding for research, development, and policy implementation. This measure gives us the tools to accomplish these goals.

Mahalo for the opportunity to testify.

Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 2256 Relating to the Environmental Response  
Energy, and Food Security Tax Repeal Date  
House Committee on Finance  
Tuesday, February 25, 2014, 2:00 PM, Room 308

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*The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.*

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The Nature Conservancy supports H.B. 2256 to extend the sunset dates on the barrel tax to June 30, 2030. We believe this is effective policy for investing in clean energy and local agriculture initiatives that reduce our dependence on imported fossil fuel and imported food, and help maintain the State's oil spill response capacity.

Climate change caused by burning fossil fuels is an imminent and unprecedented threat to every person in Hawai'i. It is our responsibility to do what we can and what is necessary reduce our own carbon emissions, however small on a global scale, to contribute to the worldwide effort needed to mitigate the growing effects of climate change.

Even if we drastically reduce CO<sub>2</sub> emissions now, however, we will still feel certain effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. Protecting and enhancing the health of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, investing in local energy and agriculture security are essential components of building self-reliance and resilience here in the middle of the Pacific Ocean.

Extending the sunset date on the barrel tax is a wise investment in our future. We urge your support.

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HOUSE COMMITTEE ON FINANCE  
Tuesday, February 25, 2014 – 2:00 p.m. – Room 308

**Ulupono Initiative Strongly Supports HB 2256, Relating to the Environmental Response, Energy, and Food Security Tax**

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson and Members of the Committee:

My name is Kyle Datta and I am general partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

**Ulupono strongly supports HB 2256**, which will extend the Environmental Response, Energy and Food Security Tax on barrels of petroleum products from 2015 to 2030. This funding extension is critical in funding vital sustainability measures to help make our community more self-sufficient.

This tax was designed to support critical investments in clean energy, local agricultural production, and environmental response, reduce the State's dependence on imported fossil fuels and food products, and support environmental activities and programs. The tax represents a balanced approach to public policy where greater fossil fuel consumption would create more funding for these initiatives. Meanwhile, as fossil fuel use is reduced, the money collected from the residents of Hawai'i is also reduced.

This bill extends the scheduled repeal date of the tax from 2015 to 2030 to match funding with the Hawai'i Clean Energy Initiative 2030 goals. Since agriculture, energy, and conservation work requires consistent and sustained funding, extending this funding source will also encourage better long-term planning by practitioners.

We believe that working together we can help produce more local food, reduce our dependence on fossil fuels, and strengthen our community. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta  
General Partner

Email: [communications@ulupono.com](mailto:communications@ulupono.com)





**HOUSE COMMITTEE ON FINANCE**

February 25, 2014, 2:00 P.M.

Room 308

**(Testimony is 3 pages long)**

**TESTIMONY IN SUPPORT OF HB 2256**

Chair Luke and members of the Finance Committee:

The Blue Planet Foundation supports HB 2256, extending the sunset of the Environmental Response, Energy, and Food Security Tax to 2030. 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 Hawai'i. 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. House Bill 2256 extends this smart policy through 2030 (although Blue Planet supports eliminating the sunset date on Hawai'i's barrel tax entirely).

***Blue Planet supports further amendments to Hawai'i's successful barrel tax law, via other legislation, including reallocating the existing funding to carry out the intended sustainability purposes of the policy and extending the existing tax to include other fossil fuels (coal and natural gas).***

## **Rationale for reallocation of the fossil fuel fee**

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If we truly want to rapidly transition Hawai'i 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 Hawai'i, 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 Hawai'i's energy transformation.

## **Carbon Tax is Smart Tax Policy**

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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.

## **Expanding “carbon tax” to all fossil fuels fair and sensible**

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Blue Planet believes that Hawai‘i’s “carbon tax” should be amended to include other fossil fuels to ensure that if Hawai‘i chooses to import industrial liquefied methane (i.e. natural gas, or “LNG”) barrel tax revenues will not be detrimentally impacted, as well as have coal pay its fair share. This is sensible and responsible. The petroleum products currently covered by the barrel tax are fossil fuels, just like LNG and coal. The environmental response, energy, and food security issues addressed by the barrel tax are no less threatened by LNG and coal imports than by any other fossil fuel.

The preferred approach to do this in legislation is basing the fossil tax on energy content (as was proposed in HB 451 HD1 of 2013). By taxing all fossil fuels based on their energy content (using an approximation of 5.8 Mbtu per barrel of petroleum as the benchmark), the various fuels are rewarded for efficient end-use. For example, if a fuel’s energy content is more efficiently converted to power, the total barrel tax revenues from that fuel source will be lower (because less of the fuel will be imported to produce a given amount of power). Similarly, if a fuel’s energy content is not converted efficiently, then the barrel tax revenues for that fuel will be higher (because more fuel must be imported to make a given amount of power). This approach based on energy content, is fair, sensible, and rationally related to the environmental and energy purposes of the barrel tax. We further support the amending Hawai‘i’s carbon tax to set the energy content for each ton of coal, for tax purposes, to 25 million British Thermal Units.



## All fossil fuels have significant negative impacts

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Similarly, coal is the dirtiest fossil fuel and produces the most carbon dioxide per energy output at the point of combustion (with significant upstream environmental impacts as well).<sup>5</sup> Therefore, it would be unfair, and make little analytical sense, to exempt gaseous and solid fossil fuels from the barrel tax.

## Public Support

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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

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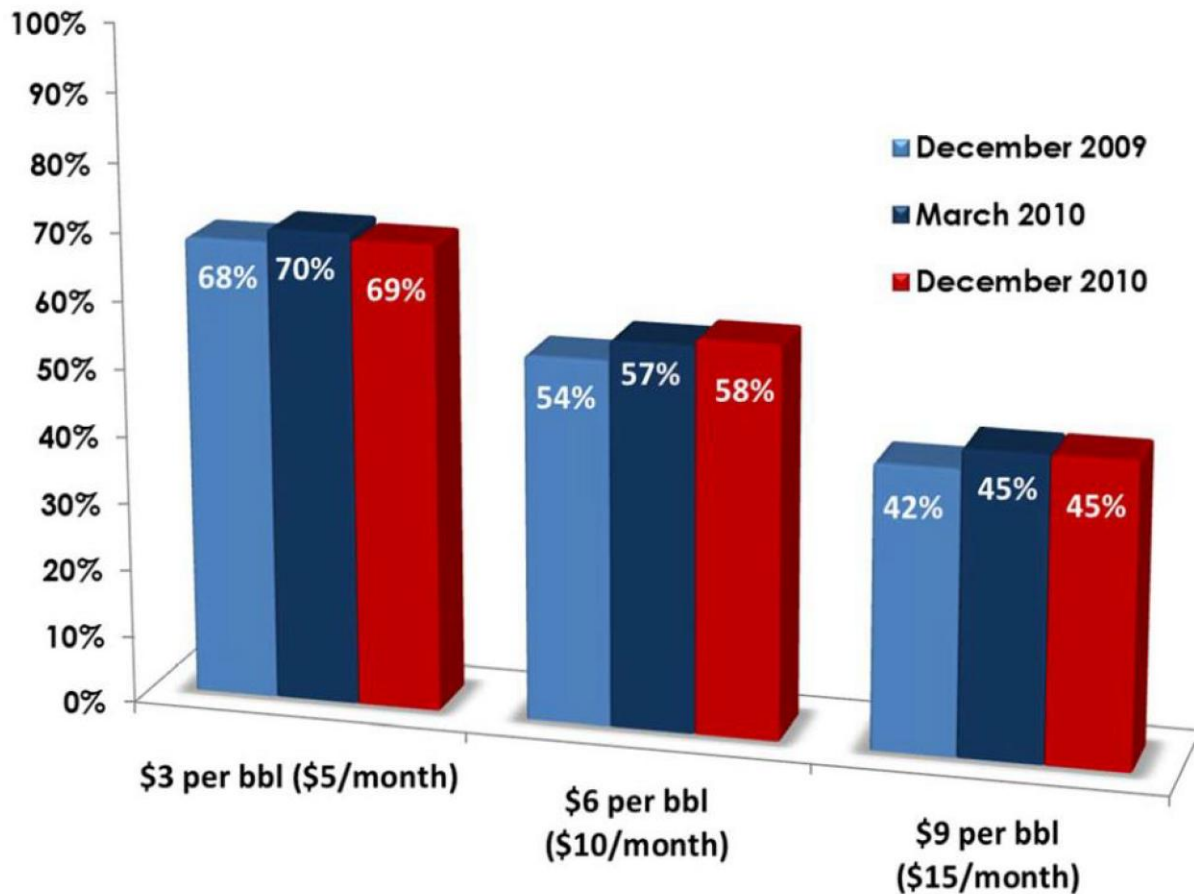
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While it's clear that we need to aggressively increase our energy efficiency and clean energy use in Hawaii to decrease our reliance on imported crude, we cannot do it without adequate funding for development and implementation. We believe with appropriate amendments to Hawaii's carbon tax policy, we can wisely tap the source of its problem—imported fossil fuel—to fund a food- and energy-secure future.

**We respectfully ask that the Committee on Finance forward HB 2256 and consider additional measures to amend Hawaii's carbon tax policy.**

Thank you for the opportunity to testify.





**HOUSE COMMITTEE ON FINANCE**

February 25, 2014, 2:00 P.M.

Room 308

**(Testimony is 4 pages long)**

**LATE**

**TESTIMONY IN SUPPORT OF HB 2256**

Chair Luke and members of the Finance Committee:

The Blue Planet Foundation supports HB 2256, extending the sunset of the Environmental Response, Energy, and Food Security Tax to 2030. 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. House Bill 2256 extends this smart policy through 2030 (although Blue Planet supports eliminating the sunset date on Hawaii's barrel tax entirely).

***Blue Planet supports further amendments to Hawai'i's successful barrel tax law, via other legislation, including reallocating the existing funding to carry out the intended sustainability purposes of the policy and extending the existing tax to include other fossil fuels (coal and natural gas).***

## Rationale for reallocation of the fossil fuel fee

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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.

## Carbon Tax is Smart Tax Policy

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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.

## Expanding “carbon tax” to all fossil fuels fair and sensible

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Blue Planet believes that Hawai‘i’s “carbon tax” should be amended to include other fossil fuels to ensure that if Hawai‘i chooses to import industrial liquefied methane (i.e. natural gas, or “LNG”) barrel tax revenues will not be detrimentally impacted, as well as have coal pay its fair share. This is sensible and responsible. The petroleum products currently covered by the barrel tax are fossil fuels, just like LNG and coal. The environmental response, energy, and food security issues addressed by the barrel tax are no less threatened by LNG and coal imports than by any other fossil fuel

The preferred approach to do this in legislation is basing the fossil tax on energy content (as was proposed in HB 451 HD1 of 2013). By taxing all fossil fuels based on their *energy content* (using an approximation of 5.8 Mbtu per barrel of petroleum as the benchmark), the various fuels are rewarded for efficient end-use. For example, if a fuel’s energy content is more efficiently converted to power, the total barrel tax revenues from that fuel source will be lower (because less of the fuel will be imported to produce a given amount of power). Similarly, if a fuel’s energy content is not converted efficiently, then the barrel tax revenues for that fuel will be higher (because more fuel must be imported to make a given amount of power). This approach based on energy content, is fair, sensible, and rationally related to the environmental and energy purposes of the barrel tax. We further support the amending Hawai‘i’s carbon tax to set the energy content for each ton of coal, for tax purposes, to 25 million British Thermal Units.

## All fossil fuels have significant negative impacts

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The myth that LNG is a “clean energy” resource has been scientifically debunked. “Natural” gas is comprised primarily of methane (CH<sub>4</sub>). Methane is a potent greenhouse gas – more potent than CO<sub>2</sub>. According to the U.S. EPA, “methane emissions released to the atmosphere (without burning) are about 21 times more powerful than CO<sub>2</sub> in terms of their warming effect on the atmosphere.”<sup>1</sup> This is critical, because LNG production is known to release large quantities of methane into the atmosphere, long before the LNG reaches a power plant to be burned. For example, on January 3, 2013, the highly respected scientific journal *Nature* reported on findings presented by NOAA scientists who measured methane leakage rates from LNG wells. The title of that report is “Methane leaks erode green credentials of natural gas.”<sup>2</sup> Among other things, the report notes that the NOAA scientists measured methane leakage from LNG wells in Utah equating to 9% of well production. This is approximately three times higher than “the 3.2% threshold beyond which gas becomes worse for the climate than coal.”<sup>3</sup> Studies of other well fields and natural gas systems have similarly reported methane leakage exceeding the 3.2% threshold.<sup>4</sup>

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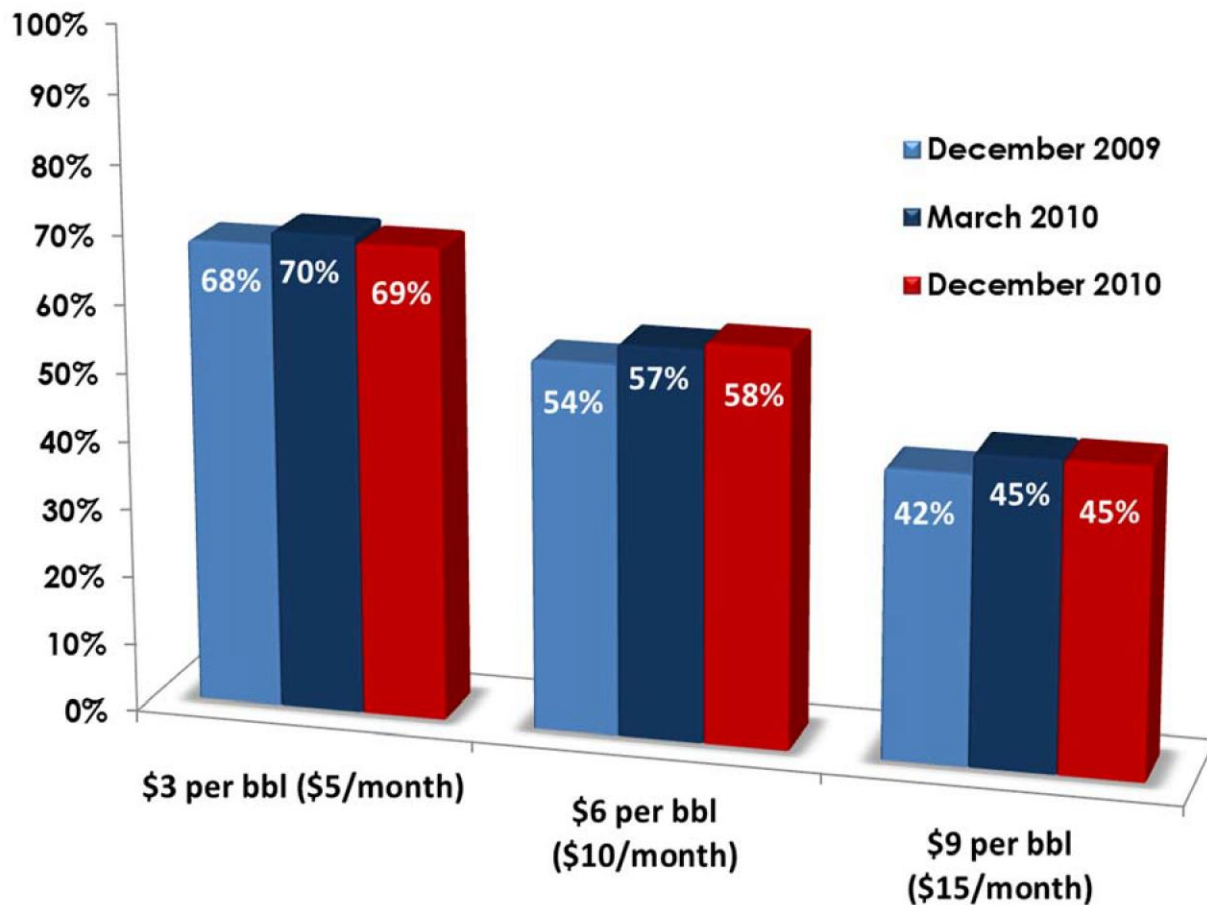
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**We respectfully ask that the Energy & Environmental Protection Committee forward HB 2256 and consider additional measures to amend Hawaii's carbon tax policy.**





**HOUSE COMMITTEE ON FINANCE**

February 25, 2014, 2:00 P.M.

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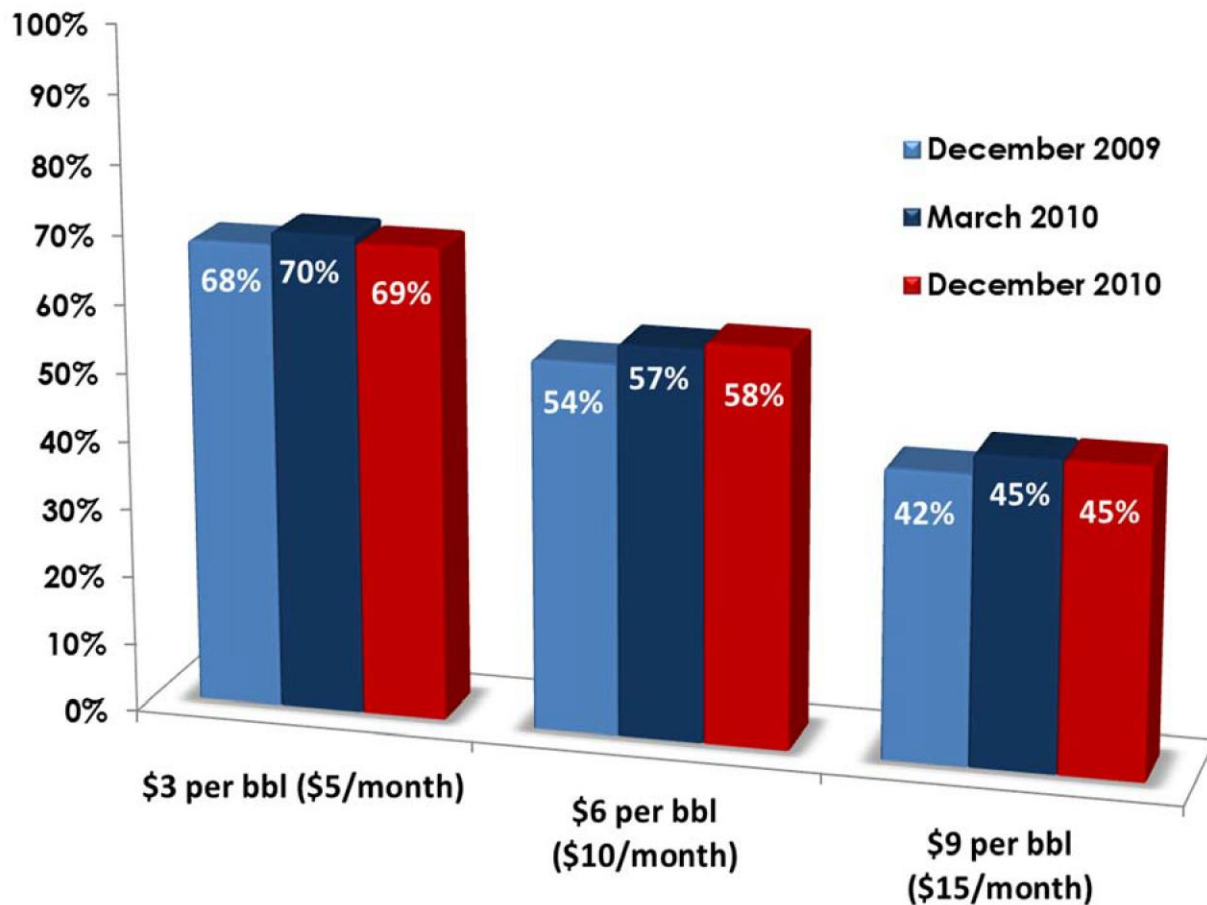
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Chamber of Commerce HAWAII  
*The Voice of Business*

Testimony to the House Committee on Finance  
Tuesday, February 25, 2014 at 2:00 P.M.  
Conference Room 308, State Capitol

**LATE TESTIMONY**

**RE: HOUSE BILL 2256 RELATING TO THE ENVIRONMENTAL RESPONSE,  
ENERGY, AND FOOD SECURITY TAX REPEAL DATE  
(REVISED)**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii would like to offer **comments** on HB 2256 Relating to the Environmental Response, Energy, and Food Security Tax Repeal Date.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports renewable energy as part of Hawaii's energy future. These taxes affect both businesses and consumers. As such, we believe that it may be helpful to review the programs receiving these funds as the bill moves forward.

Thank you for the opportunity to express our views on this matter.



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