



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAII AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawai'i Institute for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Leslie Cole-Brooks, Hawai'i Solar Energy Assn
Kyle Datta, Ulupono Initiative
Laura Dierenfield, Queen Lili'uokalani Trust
Mitch Ewan, UH Hawai'i Natural Energy Institute
Jay Fidell, ThinkTech Hawai'i, Inc.
Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, Hawai'i State Senate
Dan Giovanni, Hawaiian Electric Company
Mark Glick, State Energy Office, DBEDT
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Sen Brian Schatz
Michael Hamnett, Research Corporation of the UH
Robert Harris, Sierra Club
Rachel James, Ofc of US Congresswoman Tulsi Gabbard
Jim Kelly, Kaua'i Island Utility Cooperative
Darren Kimura, Energy Industries Holdings
Kelly King, Sustainable Biodiesel Alliance
Rep Chris Lee, Hawai'i House of Representatives
Gladys Marrone, Building Industry Assn of Hawai'i
Doug McLeod, Maui County
Stephen Meder, UH Ctr for Smart Building
& Community Design
Lauren Montez-Hernandez, Ofc of Sen Mazie Hirono
Hermina Morita, Public Utilities Commission
Sharon Moriwaki, UH Social Sciences Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture, Rural Develpt
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Wintehnn K. T. Park, Ofc of US Congresswoman
Colleen Hanabusa
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, Hawai'i Government Employees Assn
Rick Rocheleau, UH Hawai'i Natural Energy Institute
Will Rolston, Hawai'i County
Peter Rosegg, Hawaiian Electric Co.
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Command Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaua'i County
Lance Tanaka, Tesoro Hawai'i Corp
Maria Tome, State Energy Office, DBEDT
Ah Linn Yamane, Hawaii Government Employees Assn

Testimony of Sharon Moriwaki
Co-chair, Hawaii Energy Policy Forum
Before the
Senate Committee on Ways and Means
Wednesday, February 19, 2014 at 9:25 a.m.
Conference Room 211



IN STRONG SUPPORT OF SB 2196 SD1– Relating to Energy

The Hawai'i Energy Policy Forum, an organization, created in 2002, is comprised of 46 representatives from Hawai'i'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.

SB 2196 SD1 proposes amendments to (1) **Section 304A, Hawai'i Revised Statutes (HRS)**, to re-establish the energy systems development special fund ("ESDSF"), including its purposes, periodic evaluation, and action plan; (2) **Section 243-3.5, HRS**, to amend allocation amounts from revenues generated by the barrel tax, specifically increasing the environmental response revolving fund (from five to 15 cents), the energy security special fund (from 15 to 25 cents), the ESDSF (reinstating 10 cents), and the agricultural development and food security special fund (from 15 to 25 cents); and (3) extends the repeal of the amendments to June 30, 2030.

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 -- by expanding renewable energy, conservation and energy efficiency, supporting research and development of alternative energy sources, including storage and transmission, and ensuring the security and reliability of energy supply and distribution.

The Forum cannot emphasize enough the need to reinstate the energy systems development special fund which is critical for the continuing development of the technologies that enable Hawai'i to develop the infrastructure to expand our use, transmission, and storage of reliable and stable renewable energy for our electrical sector and explore production of locally produced renewable fuels (Section 2).

The Forum also believes that consistent and long-term financing is required to transform past technologies and sources of energy –both in the electrical and transportation sectors, as provided in this bill. 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 and funding until 2030 – the date when we will be using 70% clean energy.

During upturns in the economy, as the Governor reports this year, we should increase the allocations to fund programs that will accelerate our progress toward clean energy. We therefore strongly support SB 2196 SD1 and its continuing barrel tax generation and allocations to invest in the state's long-term energy and food sustainability.

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.

TAXBILLSERVICE

LATE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 2196, SD-1

INTRODUCED BY: Senate Committees on Energy and Environment and Agriculture

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the environmental response revolving fund from 5 cents to 15 cents, increase the amount deposited into the energy security special fund from 15 cents to 25 cents, and increase the amount deposited into the agricultural development and food security fund from 15 cents to 25 cents.

Adds new sections to HRS chapter 304A to reenact the energy systems development special fund and the periodic evaluation and plan of action requirements of the special fund.

Amends Act 73, SLH, 2010, to extend the sunset date for the various allocations of the environmental response, energy, and food security tax from June 30, 2015 to June 30, 2030.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: 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 a newly established environmental response revolving fund; 15 cents shall be deposited into a newly established energy security special fund, 10 cents shall be deposited into a newly established energy systems development special fund; 15 cents shall be deposited into the newly established 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. This measure would increase the amount deposited into the environmental response revolving fund from 5 cents to 15 cents, increase the amount deposited into the energy security special fund from 15 cents to 25 cents, and increase the amount deposited into the agricultural development and food security special fund from 15 cents to 25 cents. It would also extend the various allocations to these special funds which were scheduled to sunset on 6/30/15.

Under the current distribution of the \$1.05, a residual of 60 cents per barrel is deposited into the general fund. This measure proposes to redistribute the \$1.05 to increase the amount deposited into the: (1) environmental response revolving fund; (2) energy security special fund; and (3) agricultural development and food security fund which results in 30 cents left to be deposited into the general fund.

The environmental response tax was initially adopted 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, food security, and natural resource protection programs, energy conservation and alternative energy development, 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.

The basic problem with the barrel tax is that it lacks transparency, and because the funds are earmarked they do not come under close scrutiny by either lawmakers or the public. 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. If general funds are insufficient to underwrite all the essential programs and programs such as those funded through the barrel tax, then lawmakers need to justify any increase in taxes which underwrite the general fund or lawmakers will be forced to set priorities for those precious general funds. Currently, lawmakers are able to side step that difficult task by creating these hidden taxes and earmarked funds like the barrel tax. 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 2/18/14