



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the

### **HOUSE COMMITTEE ON FINANCE**

Friday, February 23, 2018

2:00 p.m.

State Capitol, Conference Room 308

in consideration of  
**HB 1986, HD 2**  
**RELATING TO THE ENVIRONMENT.**

Chair Luke, Vice Chair Cullen, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) opposes HB 1986, HD 2.

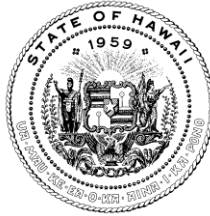
HB 1986, HD 2 establishes a carbon credit revenue program under DBEDT that administers revenues realized from the sale of any carbon credits in any established carbon registry and uses the resulting proceeds to fund projects that improve the State's water infrastructure or mitigate threats to water sustainability efforts to climate change.

DBEDT notes that voluntary carbon markets carbon offset projects presently can be broadly categorized into forestry and land use, industrial gases, methane capture, energy-efficiency, renewable energy, and transportation projects; therefore, the potential for carbon offset projects could be performed by multiple state department.

DBEDT acknowledges the concerns raised by other departments, and agrees that if this bill should pass, rules must be developed to emphasize principles of fairness to distribute the revenue collected onto the respective departments and agencies that provided the carbon offset project. Otherwise, a revenue collection program which does not distribute the revenues fairly could dis-incentivize state departments and agencies from participating in a voluntary carbon offset program.

Thank you for the opportunity to offer these comments for HB 1986, HD 2.

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
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Testimony of  
SUZANNE D. CASE  
Chairperson

Before the House Committee on  
FINANCE

Friday, February 23, 2018  
2:00 PM  
State Capitol, Conference Room 308

In consideration of  
HOUSE BILL 1986, HOUSE DRAFT 2  
RELATING TO THE ENVIRONMENT

House Bill 1986, House Draft 2 proposes to establish a carbon credit revenue program under the Department of Business, Economic Development, and Tourism (DBEDT) that administers revenues realized from the sale of any carbon credits in any established carbon registry and uses the resulting proceeds to fund projects that improve the State's water infrastructure or mitigate threats to water sustainability efforts due to climate change. **The Department of Land and Natural Resources (DLNR) opposes this measure and provides the following comments.**

The Hawai'i State Energy Office within DBEDT monitors Hawai'i's progress towards achieving the State's goal of 100% renewable energy by 2045. DLNR agrees that DBEDT is thus well positioned to facilitate a market for carbon offset credits related to energy production and reduction of use of fossil fuels through production, distribution and use of renewable energy and emission capture mechanisms.

DLNR has already invested significantly in a parallel and complementary initiative to create opportunities of carbon offsetting through the certification of carbon sequestered in the biomass of trees in Hawai'i's forest lands managed by DLNR which would produce carbon offset credits that could be sold to emitters. Significant funds are necessary to plant trees and to get a reforestation project certified under an established forest carbon standard. The revenues generated through the sale of carbon offset credits would directly contribute to covering these costs. Companies and people would be able to pay directly for planting trees in Hawai'i.

DLNR manages and operates a number of ongoing reforestation projects on degraded and former forest lands all over the State. Watersheds are catch-basins or drainages for rain that is either funneled into stream beds or infiltrates into and recharges Hawai'i's aquifers. As such, watersheds are the single most important source and part of our "water infrastructure" for domestic water supply for the cities, towns and communities of the State. The amount of rain that is recharging our aquifers depends strongly by the land uses prevalent in the watersheds. For example, a 1,400 acre forested watershed can provide 11 million gallons of water a day to Hawai'i's aquifers (e.g., Waiawa Watershed Protection project).

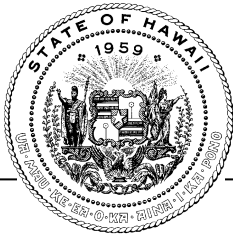
Forest ecosystems not only capture significantly more water and prevent it from running off and smothering our coral reefs than any other land use, but can also sequester and store remarkable amounts of carbon dioxide. Recent scientific estimates by the United States Geological Survey suggest that an additional four million metric tons of carbon, equal to 89% of Hawai'i's annual ground transportation emissions (per the latest Hawai'i Greenhouse Gas Inventory report), could be sequestered and stored by reforesting current non-native grass and shrub-lands under the jurisdiction of the DLNR's Division of Forestry and Wildlife alone.

DLNR has invested significantly in the exploration and due diligence necessary to launch carbon forest pilot projects certified under an established forest carbon standard. Such standards verify and certify the amount of carbon sequestered in forest carbon projects through independent third-party auditors and operate transparent registries that track the generation, retirement, and cancellation of every single carbon offset credit in databases accessible online. Certifications under established forest carbon standards require substantial staff and financial resources (usually well over \$100,000 over the entire project period). Even more resources are necessary to implement the actual reforestation work on the ground. Once carbon offset credits are verified and issued by the standard the pricing is market-based through established marketing channels that are tailored to the needs of different customer groups (e.g., corporations, individuals, etc.).

Requiring all revenues generated through carbon offsets to be administered by DBEDT would potentially create disincentives for project proponents to engage in costly and time-intensive forest carbon certification process outlined above. DLNR acknowledges the value of a coherent statewide carbon offset program. The remarkable climate change mitigation potential and indispensable contribution to the State's drinking water supply of healthy forests within watersheds should be reflected both in the design and decision-making process of the program and in the allocation of revenues derived from forest carbon sequestration credits.

DLNR stands ready to collaborate and coordinate with DBEDT on these parallel and complementary efforts.

Thank you for the opportunity to comment on this measure.



# OFFICE OF PLANNING STATE OF HAWAII

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DAVID Y. IGE  
GOVERNOR

LEO R. ASUNCION  
DIRECTOR  
OFFICE OF PLANNING

Statement of  
**LEO R. ASUNCION**  
Director, Office of Planning  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Friday, February 23, 2018  
2:00 PM  
State Capitol, Conference Room 308

in consideration of  
**HB 1986, HD 2**  
**RELATING TO THE ENVIRONMENT**

Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance.

The Office of Planning appreciates the intent and offers the following comments on HB 1986, HD 2 provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

HB 1986, HD 2 establishes a carbon credit revenue program under DBEDT that administers revenues realized from the sale of any carbon credits in any established carbon registry and uses the resulting proceeds to fund projects that improve the State's water infrastructure or mitigate threats to water sustainability efforts to climate change.

Presently the Office of Planning is administering the State's Carbon Farming Task Force, pursuant to Act 33 (2017) to identify agricultural or aquacultural activities and best practices that provide carbon sequestration benefits that may be used to establish a carbon farming certification. This Carbon Farming Task Force is required to report its findings and recommendations, including any proposed legislation to the legislature no later than twenty days prior to the convening of the regular session of 2025.

The Office of Planning notes that presently carbon offset projects in voluntary carbon markets can be broadly categorized into forestry and land use, industrial gases, methane capture, energy-efficiency, renewable energy, and transportation projects; therefore, having the potential for carbon offset projects performed by multiple state departments and agencies.

The Office of Planning acknowledges the concerns raised by other departments, and agrees that if this bill should pass as drafted, rules must be developed to emphasize principles of fairness to distribute the revenue collected onto the respective departments and agencies that provided the carbon offset project. Otherwise, a revenue collection program which does not distribute the revenues fairly could disincentivize state departments and agencies from participating in a voluntary carbon offset program.

We appreciate the over-all concept of this bill as it includes initiatives supportive of our goals and objectives for carbon emission reduction activities and water sustainability, but are concerned about the cost implications generated by this proposal. The establishment of a carbon offset program and carbon offset credits is a huge undertaking and would require financial support not provided in this measure.

Thank you for the opportunity to offer these comments for HB 1986, HD 2.

Testimony of The Nature Conservancy of Hawai'i  
Commenting H.B. 1986 HD2 Relating to the Environment  
House Committee on Finance  
Friday, February 23, 2018, 2:00PM, 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 depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. We manage 40,000 acres in 14 preserves and work in 19 coastal communities to help protect the near-shore reefs and waters of the main Hawaiian Islands. We forge partnerships with government, private parties and communities to protect Hawai'i's watershed forests and coral reefs.*

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The Nature Conservancy appreciates the intent H.B. 1986 HD2 to help facilitate a carbon credit market in Hawai'i. **However, we have significant concerns that §201-\_\_ (a)(1) in the HD2 draft of the bill may actually be a disincentive to carbon credit projects in Hawai'i.**

The proposed §201-\_\_ (a)(1) directing that the Department of Business, Economic Development and Tourism (DBEDT) "administers any and all revenues realized from the sale of any carbon credits or offsets" by any state agency ignores the fact that developing and operating any qualified carbon sequestration project requires significant up-front and ongoing investments of capital and other resources by the agency and/or a project developer working with the agency. Both of those entities will rightly seek to recover those costs and then benefit from the additional revenue generated from the fruits of their investment. Having DBEDT be sole administrator of "any and all" revenue from credit sales from such projects is a massive disincentive to state agencies, and private parties that may partner with them, to develop carbon sequestration projects in Hawai'i.

Furthermore, as written, §201-\_\_ (a)(1) is unclear as to whether it contemplates DBEDT also administering carbon credit revenue entirely generated by private parties in Hawai'i. While that may be inferred when reading the title to §201-\_\_, "Carbon credit revenue program," together with the definition of "carbon credit revenue" in §201-\_\_ (c), the actual text of §201-\_\_ (a)(1) is confusing. DBEDT may, as authorized by this legislation and related rulemaking, develop a Hawai'i market for carbon credits that defines the qualifications for credits that can be sold into that market, but it cannot "administer" the revenue received by private parties for qualified sales into that market—not without likely chasing away most or all private investors in the market to begin with.

The Nature Conservancy (TNC) has been using forest conservation and restoration to help solve the climate challenge and offset carbon for over a decade. By 2026, TNC's Noel Kempff project in Bolivia will have prevented 5.8 million metric tons of carbon from entering Earth's atmosphere. TNC also has forest carbon offset projects in Louisiana, California, Mexico, Brazil and Indonesia.

Here in Hawai'i, we are working with the Department of Land and Natural Resources (DLNR), the U.S. Forest Service (USFS) and other partners to determine how carbon offset credits can be generated from Hawaiian forests. Our focus is to qualify Hawai'i forest carbon for eligibility first in voluntary carbon offset markets and ultimately in regulated markets like California's cap-and-trade market. To do this, we collaborated with DLNR, USFS and Climate Action Reserve (CAR, [climateactionreserve.org](http://climateactionreserve.org)) -- whose forest carbon standards are the basis for credits in the California market -- to revise their protocols to certify Hawaiian forest carbon in voluntary markets and later in regulated markets. CAR protocols for Hawaiian forest carbon were approved in July 2017. Like DLNR, we are now turning our attention to pilot forest carbon sequestration projects in Hawai'i. However, if §201-\_\_ (a)(1) of H.B. 1986 HD2 were to pass in its current form, we are concerned that it may stifle carbon credit projects in Hawai'i.

Thank you for the opportunity to comment on H.B. 1986 HD2.

**HB-1986-HD-2**

Submitted on: 2/22/2018 12:56:11 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kimiko LaHaela Walter	Sierra Club of Hawaii	Support	Yes

Comments:



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

HOUSE COMMITTEE ON FINANCE  
Friday, February 23, 2018 — 2:00 p.m. — Room 308

## **Ulupono Initiative Supports the Intent of HB 1986 HD 2, Relating to the Environment**

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Murray Clay and I am Managing 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 produced food; increase affordable, clean, renewable energy; and better management of waste and fresh water. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono supports the intent of HB 1986 HD 2**, which establishes a carbon offsets program, because it aligns with our goal of increasing the production of clean, renewable energy in Hawai'i.

A carbon offsets program can provide a mechanism for participants to reduce fossil fuel consumption. Ulupono is in support of this forward-thinking program, if structured correctly.

To better structure the program the legislation needs to be clear that:

- Any public or private entity can generate, sell, or buy carbon offset credits
- The credits are the property of the generator (entity that reduces carbon intensity)
- The State therefore can only receive income if it is the generator of carbon offsets/credits and/or it levies a tax on the sale of credits/offsets
- There needs to be a third-party validator that the credits are accurate (note, there are several national level firms that do this so a new entity to validate will not likely be needed)

As Hawai'i's energy issues become more complex and challenging, we appreciate this committee's efforts to look at policies that support renewable energy production.

Thank you for this opportunity to testify.

*Investing in a Sustainable Hawai'i*





Respectfully,

Murray Clay  
Managing Partner

**HB-1986-HD-2**

Submitted on: 2/22/2018 1:56:21 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

**HB-1986-HD-2**

Submitted on: 2/22/2018 3:54:28 AM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Reed Gach	Individual	Comments	No

Comments:

Please oppose HD2 Amendments and support original bill language.

*I think its wise to promote carbon projects throughout the state, but believe that all revenues generated through carbon offsets to be administered by "DBEDT" alone would potentially create disincentives for project proponents to engage in costly and time-intensive projects.*

*Thank you for your consideration. Mahalo!*

*Michael Reed Gach,  
Kihei, Maui Resident*

**HB-1986-HD-2**

Submitted on: 2/22/2018 9:08:41 AM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mary Lacques	Individual	Support	No

Comments:

**HB-1986-HD-2**

Submitted on: 2/22/2018 11:19:45 AM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Merle Hayward	Individual	Support	No

Comments:

SUPPORT BILL'S ORIGINAL LANGUAGE; OPPOSE HD2 AMENDMENTS

**HB-1986-HD-2**

Submitted on: 2/22/2018 12:03:16 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Shannon Rudolph	Individual	Support	No

Comments:

**Support**

**HB-1986-HD-2**

Submitted on: 2/22/2018 1:31:52 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

**HB-1986-HD-2**

Submitted on: 2/22/2018 1:46:36 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sarah Toole	Individual	Support	No

Comments:

I strongly support this measure.

Sarah Toole

1128 Ala Napunani St 96818

UH Manoa Political Science student



**HB-1986-HD-2**

Submitted on: 2/22/2018 3:16:06 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leslie Cole-Brooks	Individual	Support	No

Comments:

**HB-1986-HD-2**

Submitted on: 2/22/2018 11:25:23 AM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kim Jorgensen	Individual	Oppose	No

Comments:

I oppose Bill HB1986 HD2 amendments; but support the original bill language.

**HB-1986-HD-2**

Submitted on: 2/22/2018 11:13:06 AM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Denise Boisvert	Individual	Oppose	No

Comments:

I oppose Bill HB1986 HD2 amendments; but support the original bill language.

**LATE**

**HB-1986-HD-2**

Submitted on: 2/22/2018 5:21:45 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sandra Fujita	Individual	Oppose	No

Comments:

**LATE**

**HB-1986-HD-2**

Submitted on: 2/22/2018 8:06:19 PM

Testimony for FIN on 2/23/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cory Harden	Individual	Oppose	No

Comments:

Aloha legislators,

Please restore the original language of this bill.

mahalo, Cory Harden, Hilo

Chair Luke  
Vice Chair Cullen  
House Committee on Finance



Friday February 23, 2018  
2:00 PM

**TESTIMONY SUPPORTING THE INTENT OF HB1986 HD2 RELATING TO THE ENVIRONMENT**

Aloha Chair Luke, Vice Chair Cullen, Members of the House Committee on Finance,

My name is Jun Shin and as a board member at-large for Young Progressives Demanding Action – Hawaii (YPDA Hawaii), a member of the Common Good Coalition. I am **testifying in support of the intent of HB1986 HD2**

Standing in solidarity with our brothers and sisters in the Sierra Club, also a member of the Common Good Coalition, I am in strong support of future carbon sequestration projects, but with serious concerns toward the language of the House’s second draft on this measure.

**This bill should be amended to really clarify if and how much return on investment from the sale of carbon credits that the agencies, organizations, and other entities participating in implementing the project will receive.**

With our responsibility to take on the issue of climate change and to continue to preserve our environment for generations to come, I see the intent of this measure potentially helping to restore and keep safe the ecosystem services that are provided by our forested watersheds by having us enter into the voluntary carbon market. Watersheds are very important and part of the “water infrastructure” that is defined in his measure.

That is why for suggestions, **I suggest that forest carbon sequestration projects, both currently underway, and in the future should be a critical component pertaining to the improvement of the water infrastructure referred to in this bill** with collaboration between the various entities in the public and private side that are already in support of awesome forest carbon sequestration projects that continue to be a work in progress in the State of Hawaii.

We can do amazing things and see great opportunities, but we just have to make sure it’s being done in the right way. Thank you for the opportunity to testify **supporting the intent of HB 1986 HD2.**

Jun Shin,  
Board Member At-Large  
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