



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
SUZANNE D. CASE
Chairperson
Before the House Committee on
FINANCE

Friday, February 24, 2017
2:00 PM
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 795, HOUSE DRAFT 1
RELATING TO CARBON FORESTRY CERTIFICATION

House Bill 795, House Draft 1 proposes to appropriate funds for the certification of a carbon reforestation project at Haleakala, Maui, operated by the Department of Land and Natural Resources (Department), under an established forest carbon standard certification system. **The Department appreciates the intent this measure and provides the following comments.**

The Department is responsible for protecting, managing, and if necessary, restoring over 600,000 acres of state-owned forest reserves. The ecosystems inhabiting these areas provide a variety of functions indispensable for the well-being of Hawaii's communities and economy such as water replenishment and purification, carbon storage, soil protection, unique flora and fauna, and areas to recreate. In an economy highly dependent on tourism, these functions can hardly be overstated and are further acknowledged in the State of Hawaii's Aloha+ Challenge and Sustainable Hawaii Initiative. However, to date, the recognition of the monetary valuation of those functions remains limited, and programs providing the opportunity for private entities to take on environmental responsibility through voluntary payments are almost non-existent in Hawaii. Such payments could considerably increase the Department's capacity to restore and maintain the critical ecosystem functions provided by the land and water areas under its jurisdiction.

The Department's ongoing reforestation project on 500 acres of degraded pasture land at Kahikinui Forest Reserve and Nakula Natural Area Reserve on the southern slopes of Haleakala, Maui will restore a variety of ecosystem functions including rain water recharge, carbon storage, and forested wildlife habitat. If the reforestation was extended to the entire area of the Forest Reserve and Natural Area Reserve (approximately 3,700 acres) an estimated 94,000 metric tons of carbon could be stored. If the State were to obtain certification to sell carbon credits, certification of these ongoing reforestation activities would enable the Department to sell carbon credits (one credit equals one metric ton of carbon) which could offset the substantial cost of

reforestation and provide a funding source for additional reforestation going forward. Carbon storage is an ecosystem function for which both compliance (e.g., California Cap & Trade program) and voluntary markets already exist. In 2016, the average price per metric ton of carbon was \$9.70 on the California compliance market, and \$4.90 and on the international voluntary market. However, the price per ton varies considerably based on carbon credit marketing, and carbon credits on the local voluntary market have sold for as much as \$45 per ton. Based on the market position of the reforestation project at Kahikinui Forest Reserve and Nakula Natural Area Reserve, the initial investment of \$120,000 is projected to produce a return that could not only recoup the investment but contribute funding to additional restoration efforts.¹ Further, once the Department achieves accreditation of an established forest carbon standard, qualified areas of new forest carbon projects operated by the Department can be certified at nominal additional cost, resulting in a positive return on investment over the initial carbon certification cost.

Recent scientific estimates by the United States Geological Survey suggest that an additional four million metric tons of carbon could be stored by reforesting current grass and shrub-lands under the jurisdiction of the Department's Division of Forestry and Wildlife. Therefore, the Department believes that the initial investment suggested in this bill could result in tremendous financial and ecological payoffs in the future. The original request of \$120,000 is estimated to be recouped via carbon credit sales, and income produced above and beyond can be applied to expanded reforestation.

The Department provides the following comments with respect to certain amendments to the bill as described in the committee report:

(2) *Specifying that the funds shall be appropriated from an unspecified special fund rather than a general fund:* The Department's LNR 172 Forest Stewardship Special Fund is in the Department of Budget and Finance Program Structure under Economic Development. Therefore, having LNR172 handle the finances of such a program would be consistent with the state organizational structure. Funds could be deposited into the Forest Stewardship Special Fund and tracked with a unique activity code. The income would be rolled forward to implement additional carbon reforestation projects, generating additional income and ultimately creating a self-sustaining forest restoration and management program based on forest products development. However, LNR 172 does not have funds available for this purpose at this time.

(3) *Specifying that the appropriated funds shall be used for watershed purposes only:* As carbon restoration projects all have watershed benefits, but may also provide other benefits, both environmental and financial, the Department suggests deleting that language to provide the greatest forest products development potential for projects in the future, including, but not limited to, high quality hardwood timber.

(4) *Adding language that contractors and other third parties who receive funds under this measure may be subject to review and inspection by the Department of Land and Natural*

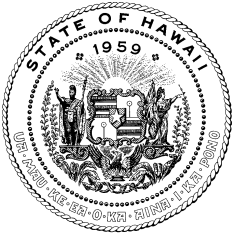
¹ A current overview of the forest carbon market can be found in the report "State of Forest Carbon Finance 2016" available online: http://www.forest-trends.org/documents/files/doc_5388.pdf

Resources, the Attorney General, or the Auditor: The Department notes this language is redundant with applicable law.

(6) *Removing the requirement that the annual report be submitted to the governor:* The Department respectfully suggests that the annual report should be submitted to the governor as well as to the legislature.

(7) *Requiring that all contracts under the Department's carbon forestry project be issued through a competitive bid process:* The Department notes that standard procurement laws apply to all government contracting. The Department suggests the language be deleted as redundant, or modified to state “be issued in accordance with applicable government procurement laws.”

Thank you for the opportunity to comment on this measure.



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Testimony of
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before the
HOUSE COMMITTEE ON FINANCE
Friday, February 24, 2017
2:00 PM
State Capitol, Conference Room 308

in SUPPORT of
HOUSE BILL 795, HD1
RELATING TO CARBON FORESTRY CERTIFICATION

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

The Office of Environmental Quality Control (OEQC) administers Hawai'i Revised Statutes (HRS) Chapter 343, Environmental Impact Statements (EIS). The purpose of the EIS law is to "establish a system of environmental review which ensures that environmental concerns are given appropriate consideration in decision making along with economic and technical considerations" (HRS §343-1). Additionally, the OEQC serves "the Governor in an advisory capacity on all matters relating to environmental quality control," as directed in HRS §341-3.

House Bill 795, HD1 proposes to appropriate funds for certification of a reforestation carbon project at Haleakalā, Maui, operated by Department of Land and Natural Resources (DLNR), under an established forest carbon standard certification system. In an effort to mitigate the impacts of climate change and environmental degradation, international, national, and local policy initiatives are seeking to create market-based mechanisms that allow for monetization of the multiple benefits provided by natural resources and for new options in restoration finance. In accordance with the department of land and natural resources' mandate to generate revenues that can contribute to its conservation and natural resource management activities, the department of land and natural resources is exploring such mechanisms to monetize ecosystem services provided by the lands under its jurisdiction

HB 795, HD1 also proposes to require DLNR to submit an annual report on the project certification to the legislature. Among the revisions made in HD1 were the addition of various requirements addressing the contracting to implement aspects of the project.

The OEQC is currently collaborating with DLNR on the establishment of carbon reforestation accreditation for state lands. We believe that there are revenue opportunities available to DLNR that support and enhance DLNR's ability to execute its mission to steward our public trust resources. The Haleakalā project is an opportunity to test this approach.

Thank you for the opportunity to testify on this measure.



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Testimony of The Nature Conservancy of Hawai'i
Supporting H.B. 795 HD1 Relating to Carbon Forestry Certification
House Committee on Finance
Friday, February 24, 2017, 2:00PM, Room 308

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 important watershed forests and coral reefs.

The Nature Conservancy supports H.B. 795 HD1 to provide funding to the Department of Land and Natural Resources (DLNR) to establish a certified forest carbon sequestration project on Maui.

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. Healthy and diverse Hawaiian forests act like a sponge, collecting rain and moisture from passing clouds, slowly delivering fresh water into streams and aquifers, and reducing runoff and siltation into near shore waters during storm events. Forests also play an essential role in regulating atmospheric levels of greenhouse gases, and we believe that reforestation with native species can meaningfully contribute to our collective strategies and goals for watershed management and reducing carbon emissions.

At The Nature Conservancy, we have spent the last few years evaluating the potential for a carbon project on Hawai'i island, including reforestation and appropriate certification for carbon sequestration and other ecosystem service benefits like native species protection and water capture. As part of our research, we considered various offset project registries, including Climate Action Reserve, American Carbon Registry, and the Gold Standard. TNC has chosen to work with Climate Action Reserve ("CAR") for any future forest carbon sequestration project because its rigorous protocols have a 100-year permanence requirement, it requires the project to use native forest species, and the forest protocols included in the California compliance cap-and-trade offset market are based on CAR standards.

We think the opportunity for The Nature Conservancy and DLNR to share lessons learned from each of our projects will strengthen the overall results of our collective work and mutual conservation goals, as well as create the best chance for developing a viable model for both public and private landowners.

Thank you for the opportunity to testify in support of this bill. We are excited by the possibilities.

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MĀLAMA I KA HONUA. *Cherish the Earth.*

HOUSE COMMITTEE ON FINANCE

Friday, February 24, 2017 2PM Room 308

In SUPPORT **HB795** Relating to Carbon Forestry

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Aloha Chairwoman Luke and members of the Finance Committee,

On behalf of our 20,000 members and supporters, the Sierra Club of Hawai'i strongly supports HB795, which establishes a carbon sequestration certification program in the Department of Land and Natural Resources.

Since 1968, the Sierra Club of Hawai'i has been working to protect the unique natural and cultural resources of our islands. We are deeply concerned about the effects of climate change on the Hawaiian Islands and support an "all of the above" approach to reducing harmful emissions and increasing sequestration of emissions.

We know that carbon sequestration is an important element of a successful climate change management program. The New York State's Department of Environmental Conservation has implemented an effective carbon storage program that encourages tree-planting on public lands, tax incentives for tree planting on private land, and protections against deforestation. Their program found that "[w]isely managed forests can sequester carbon and also provide a sustainable source of fuel and lumber, help clean our air and water, preserve wildlife habitat, provide recreation opportunities and preserve the beauty of trees in their natural home for generations to come."¹

Thank you very much for this opportunity to provide testimony on this important issue.

Mahalo,

Marti Townsend
Director

¹ New York State Carbon Storage Program, <http://www.dec.ny.gov/lands/47481.html>