
A BILL FOR AN ACT

RELATING TO CARBON EMISSIONS.

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

1 SECTION 1. The legislature finds that decisive action is
2 needed to avoid the worst impacts that climate change will have
3 on Hawaii's environment, economy, and quality of life. The
4 State has committed to transitioning away from fossil fuels
5 toward a clean energy economy that is powered by one hundred per
6 cent renewable energy. The legislature has passed ambitious
7 carbon reduction goals, including the goals of reaching net
8 carbon neutrality by 2045, pursuant to Act 15, Session Laws of
9 Hawaii 2018, and achieving the climate change objectives of the
10 Paris Agreement, pursuant to Act 32, Session Laws of Hawaii
11 2017. Setting these bold targets is important, but bold targets
12 alone are insufficient.

13 The legislature also finds that pricing carbon emissions
14 via a tax on fossil fuels has emerged as a broadly supported,
15 economically efficient, and effective policy tool to reduce
16 emissions. Economists and leaders from across the political
17 spectrum, including Nobel prize-winning economists, four former



1 chairs of the United States Federal Reserve, and fifteen former
2 chairs of the United States Council of Economic Advisers, have
3 endorsed a carbon tax as a necessary, market-based solution to
4 our climate challenge. Hawaii's own climate change mitigation
5 and adaptation commission has endorsed the adoption of a carbon
6 tax in Hawaii as "the most effective single action that will
7 achieve Hawaii's ambitious and necessary emissions reduction
8 goals".

9 The legislature further finds that, currently, the prices
10 of electricity, gasoline, and other fuels do not accurately
11 reflect the cost to society from the negative environmental and
12 health impacts of burning fossil fuels. This market failure
13 suppresses incentives for developing and deploying carbon-
14 reducing measures, such as energy efficiency, renewable energy,
15 and low-carbon fuels. It also discourages individuals from
16 engaging in behavior and making choices that reduce fuel and
17 energy consumption. Taxing fuels according to their carbon
18 content will align the market with desired policy outcomes, from
19 an individual's choice of vehicles, appliances, and housing to a
20 business' choices of product design, capital investment, and
21 facilities.



1 The legislature also finds that, if not designed correctly,
2 a carbon tax could disproportionately impact low- to moderate-
3 income residents. Therefore, it is necessary to consider ways
4 to implement a carbon tax that offsets its regressive nature. A
5 variety of mechanisms exist to reduce the regressive nature of a
6 carbon tax, including increasing the amount of the state earned
7 income tax credit and making the credit refundable, reducing
8 existing taxes, particularly those that are disproportionately
9 paid by lower income residents, such as the general excise tax,
10 or providing a direct dividend to residents. In endorsing the
11 adoption of a carbon tax, the Hawaii climate change mitigation
12 and adaptation commission emphasized the need for the tax to be
13 equitable and appropriate for the people of Hawaii, and to
14 successfully change behavior of industry and individuals in a
15 way that meaningfully reduces carbon emissions.

16 Recognizing the urgent need for an accelerated transition
17 away from fossil fuels, the legislature seeks to better
18 understand if and how pricing carbon can accelerate Hawaii's
19 cost-effective transformation to a one hundred per cent clean
20 energy future, while ensuring that the transition is fair,
21 equitable, and beneficial for all.



1 The purpose of this Act is to appropriate funds for a
2 comprehensive study of a carbon tax to help policymakers better
3 understand the opportunities, impacts, and options that a carbon
4 price policy could bring to Hawaii.

5 SECTION 2. (a) The research corporation of the university
6 of Hawaii shall conduct a study regarding the implementation of
7 a statewide carbon tax; provided that the study shall include
8 the following:

- 9 (1) An examination of carbon pricing and procedures for
10 adopting a statewide carbon tax in Hawaii in a manner
11 that is equitable, particularly for low- to moderate-
12 income families and individuals;
- 13 (2) The threshold at which a carbon tax would result in
14 behavior change;
- 15 (3) Whether a carbon tax should be implemented through a
16 graduated increase over time;
- 17 (4) Revenue projections for a recommended carbon tax and
18 the source of the projected revenues, such as amounts
19 paid by industry, consumers generally, low-income
20 consumers, and tourists;



- 1 (5) Consideration of the impacts and implications of the
2 following options, either used alone or in
3 combination:
- 4 (A) Direct dividend to residents;
5 (B) Reduction of other taxes;
6 (C) Increasing the state earned income tax credit;
7 (D) Revenue reinvestment in programs that reduce
8 carbon emissions; or
9 (E) Any other viable options;
- 10 (6) Consideration of any comparative advantages or
11 disadvantages of increasing the existing environmental
12 response, energy, and food security tax under section
13 243-3.5, Hawaii Revised Statutes, or any other related
14 tax, such as the state fuel tax, instead of
15 implementing a new and separate carbon tax;
- 16 (7) Consideration of how to include air travel in a carbon
17 tax; and
- 18 (8) Examples of other jurisdictions within or outside the
19 United States that have implemented a carbon tax and
20 any lessons that Hawaii may learn from those examples.



1 The research corporation of the university of Hawaii shall
2 engage with stakeholders, such as the department of taxation,
3 any chamber of commerce in the State, Aloha United Way, Blue
4 Planet, researchers at the university of Hawaii, legislators,
5 and any other relevant parties, to develop the appropriate scope
6 of the study.

7 (b) The research corporation of the university of Hawaii
8 shall submit an interim report to the legislature of its
9 progress, findings, and recommendations, including any proposed
10 legislation, no later than December 31, 2019.

11 (c) The research corporation of the university of Hawaii
12 shall submit a final report to the legislature of its progress,
13 findings, and recommendations, including any proposed
14 legislation, no later than December 31, 2020.

15 SECTION 3. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so much
17 thereof as may be necessary for fiscal year 2019-2020 and the
18 same sum or so much thereof as may be necessary for fiscal year
19 2020-2021 for a study conducted by the research corporation of
20 the university of Hawaii relating to the implementation of a
21 statewide carbon tax pursuant to this Act.



H.B. NO. 1504

1 The sums appropriated shall be expended by the university
2 of Hawaii for the purposes of this Act.

3 SECTION 4. This Act shall take effect on July 1, 2019.

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INTRODUCED BY: Nina E. Luna

 Tim Wilkerson

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JAN 24 2019

H.B. NO. 1504

Report Title:

UH; Research Corporation of the University of Hawaii; Carbon Emissions; Carbon Price; Study; Appropriation

Description:

Appropriates funds to the University of Hawaii for the Research Corporation of the University of Hawaii to conduct a comprehensive study of a statewide carbon tax.

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