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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT & TOURSIM**  
and the  
**SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

Wednesday, March 20, 2019

2:45 PM

State Capitol, Conference Room #414

In consideration of

**HB 1586, HD1, Proposed SD1**  
**RELATING TO THE STRUCTURE OF GOVERNMENT.**

Chairs Wakai and Thielen, Vice Chairs Taniguchi and Inouye, and Members of the Committees. The Department of Business, Economic Development, and Tourism (DBEDT) **offers comments** on HB1586, HD1, Proposed SD1, which establishes the Hawaii State Energy Office and the Deputy Director of Energy, amends and transfers the duties of the Energy Resources Coordinator from the DBEDT Director to the Deputy Director of Energy. It discontinues revenue to the Energy Security Special Fund (ESSF) from the Environmental Response, Energy, and Food Security Tax. Moreover, the Hawaii State Energy Office would be funded by general revenues of an unspecified amount.

The Environmental Response, Energy, and Food Security Tax has been an important source of revenue for the ESSF to fund DBEDT's energy operations. It is imperative that current funding levels be at least maintained for DBEDT to continue its operations in support of Hawaii's clean energy initiatives.

DBEDT notes that establishing an office takes careful planning and consideration of budgetary issues. We respectfully request that the Legislature minimize any negative impacts to the Governor's budget priorities.

Thank you for the opportunity to testify.

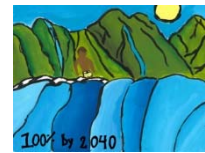
**HB-1586-HD-1**

Submitted on: 3/16/2019 6:31:09 PM

Testimony for EET on 3/20/2019 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michelle Matson	Testifying for O'ahu Island Parks Conservancy	Support	No

Comments:



**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM  
SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

March 20, 2019, 2:45 P.M.

Room 414

(Testimony is 1 page long)



**TESTIMONY IN SUPPORT OF HB 1586 HD1**

Aloha Chair Wakai, Chair Thielen, and members of the Committees:

Blue Planet Foundation **supports** HB 1586 HD1, which establishes the Department of Environment and transfers certain programs currently administered by the Department of Health and the Department of Business, Economic Development and Tourism.

This bill would transfer to a newly formed Department of Environment the functions and authority currently exercised by the Office of Environmental Quality Control, the Environmental Council, and the State Energy Office. It would also establish an Office of Clean Energy to oversee Hawaii’s transition to a clean energy economy and an Office of Climate Change to assist in the analysis and formulation of state climate policy.

With the urgency of climate change as a looming threat, a state government department focused on clean energy and climate concerns makes sense. The energy landscape has shifted dramatically since many of the government agencies listed above were formed. As one example, since the current State Energy Office was established decades ago, Hawaii has committed to 100% renewable electricity and net carbon neutrality by 2045, added more than 8,000 electric vehicles to our roads, and has seen incredible growth in distributed energy resources—now over 80,000 homes in the state have rooftop solar. This shifting landscape means that our transition to clean energy warrants more focus, direction, and resources.

Energy decisions affect nearly every aspect of the state’s economy and residents’ lives. House Bill 1586 HD1 can be a vehicle to ensure that state government priorities, processes, and funding best reflect the current energy landscape and are aimed at setting Hawaii on the fastest path toward meeting its clean energy and climate targets.

Blue Planet Foundation would welcome the opportunity to work with the Committees and stakeholders to develop a robust energy and climate authority for Hawaii that is fully supported with clear direction and adequate resources.

Thank you for the opportunity to testify.



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SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, & TOURISM AND  
GOVERNMENT OPERATIONS

Wednesday, March 20, 2019 — 2:45 p.m. — Room 414

**RE: HB 1586 HD 1 – Relating to the Structure of Government – Comments**

Dear Chair Wakai, Vice Chair Taniguchi, Chair Thielen, Vice Chair Inouye, and Members of the Committees:

My name is Murray Clay and I am the Managing Partner of 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 manage waste and fresh water resources.

**Ulupono provides comments on HB 1586 HD 1**, which repeals the distribution of barrel tax revenue and fossil fuel tax on distributors revenue to the energy security special fund and increases the distributions to the energy systems development special fund.

In the proposed draft, funding for the energy systems development special fund would increase from 10 to 15 cents per barrel. We believe this increase of five cents per barrel should be allocated for electric vehicle charging infrastructure rebates such as those being considered in House Bill 1585.

Electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's health, energy and environmental goals. While Hawai'i's electric power sector continues to make progress toward its 100 percent renewable portfolio standard (RPS) mandate, our transportation sector has received little attention.

EVs currently offer an effective option to progress clean renewable ground transportation and immediate benefits to Hawai'i:

- EVs can alleviate Hawai'i's high cost of living
- EVs provide immediate impact to reduce our dependence on fossil fuels and decrease greenhouse gas (GHG) emissions
- EVs are prime for market acceleration
- Hawai'i should be doing more to promote EVs and EV infrastructure

*Investing in a Sustainable Hawai'i*

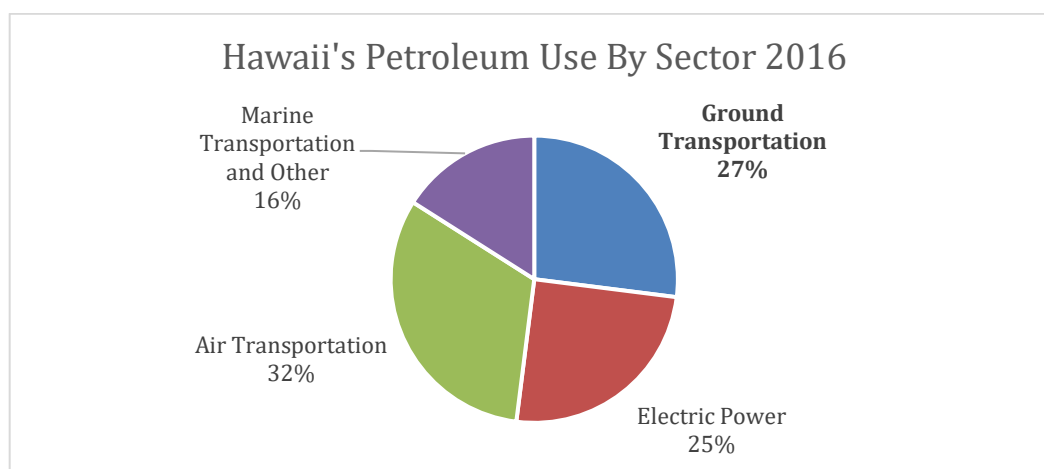
## EVs Can Alleviate Hawai‘i’s High Cost of Living

EVs are an increasingly affordable option for all. For example, the 2019 Nissan Leaf’s average MSRP is \$33,095. After the Federal tax credit is considered, the purchase price is \$25,595, which is less than the best selling sedan in the country, the 2019 Toyota Camry. Attachment A to our testimony compares the purchase price of non-luxury EVs with top-selling sedans and the Toyota Tacoma (the top selling vehicle in Hawai‘i).

EVs are also cheaper to operate and maintain because they have fewer moving parts and are more fuel-efficient. According to a recent study by the Union of Concerned Scientists, Honolulu drivers could save more than \$500 per year by switching to an EV.

## EVs Provide Immediate Energy and Environmental Impact

Ground transportation alone utilizes more than a quarter of the state’s imported petroleum. Electrifying ground transportation will reduce our demand for imported fossil fuels, keeping millions of dollars in the state and cutting harmful tailpipe pollution from the air that our we all breathe.



*Source: Hawaii State Energy Office – Hawaii Energy Facts & Figures*

Converting from petroleum-based vehicles to EVs immediately reduces GHG emissions, helping combat climate change and its impacts on our islands. EVs produce zero-emissions at the tailpipe, and even when full lifecycle emissions (from manufacturing through disposal) are considered, EV emissions are approximately 50 percent lower than internal combustion engine (ICE) vehicles. Thus, EVs directly improve the health of our communities as well as the globe.

EVs can also support the integration of more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawai‘i can help accelerate progress towards the State’s 100 percent RPS goal, as well as contribute to the State’s Paris Agreement commitments and carbon neutral goal.

## **EVs Are Prime For Market Acceleration**

From a market perspective, EV adoption in Hawai'i has shown impressive growth, and the state ranks second in the nation behind California in the number of EVs per capita. As of November 2018, there were more than 8,000 passenger EVs registered in Hawai'i, a 24 percent growth from the previous year, but lower than the national average of 81 percent growth. This progress is despite not having strong supporting policies as seen in other states, municipalities and countries.

Based on global and local trends, these adoption numbers are expected to increase exponentially by 2030. Major automobile manufacturers, from Volvo to Volkswagen, have announced plans to offer electric versions of all their vehicle models. Even Ford has announced plans for an all-electric F-150 pickup truck, the top selling vehicle in the country. Policies across the globe are further supporting this transition; in fact, Britain and France have committed to end sales of gas-powered vehicles by 2040.

However, we simply cannot wait. A new report by the United Nation Intergovernmental Panel on Climate Change warns global human-caused emissions of carbon dioxide need to fall 45 percent by 2030, and it will "require rapid, far-reaching and unprecedented changes in all aspects of society." We must be proactive and act now with strong policy.

## **Hawai'i Should Be Doing More**

EVs are the future, but they currently only represent less than one percent of all passenger vehicles in the state. Hawai'i must be proactive to encourage this still nascent market and be prepared with the necessary infrastructure.

Public EV charging stations are a vital component of the EV system. They provide access to charging for drivers who may not be able to charge at home, such as residents who live in multifamily dwellings, and alleviate range anxiety for all EV drivers, a top cited barrier to purchasing EVs. Similar to the benefits that community solar offers to renters and apartment residents, public chargers open up the opportunity and feasibility of owning an EV to more people, increasing equity and access.

Additionally, public charging stations can promote the adoption of EVs in the tourism industry and rental car fleets. According to a survey we commissioned in June 2018, 56 percent of visitors said they probably would have rented an EV if the option were available to them. Of the respondents that indicated they probably would not rent an EV, the top reason for not wanting to rent one was concerns about driving range and finding a charging station. Increasing the number and visibility of public charging stations should encourage rental car companies to add EV options.

Hawai'i's EV charging infrastructure has not kept up with current demand and is ill-

prepared for future projected EV adoption levels. In October 2015, there were 8 EVs for every public charging station in Hawai'i, and in June 2018, there were 13 EVs per charger. This worsening ratio implies it is becoming more difficult for EV owners to find public charging stations and signals inadequate infrastructure support for EVs, which impedes EV adoption and our transition away from fossil fuel vehicles.

Based on our experience as investors in multiple charging station companies, it is currently financially challenging for private businesses to own and operate charging stations. Another challenge for private entities is supplying charging stations in underserved areas, which are particularly unprofitable due to underutilization but are needed to provide broad EV coverage. An EV charging station rebate program would reduce the financial burden and promote the proliferation of EV charging stations, helping ensure an encompassing charging network that serves low-income and multi-unit dwellings residents across the island.

More than 25 other states and municipalities, including Delaware, Maryland and Pennsylvania, recognize the importance of EV infrastructure and already offer generous EV charging station incentive programs. To build momentum, Ulupono recently partnered with Hawai'i Energy to fund and launch a pilot EV charging station rebate program. The limited pilot, which ends in June 2019, aims to promote the installation of Level 2 charging stations at workplaces and multi-unit dwellings and to demonstrate the potential of a larger, statewide incentive program.

If the State of Hawai'i is serious about the health, sustainability and resiliency of our communities, it should encourage EVs and EV infrastructure.

As Hawai'i's energy issues become more complex and challenging, we appreciate this committee's efforts to look at policies that support clean ground transportation. Thank you for this opportunity to testify.

Respectfully,

Murray Clay  
Managing Partner