

JAN 21 2022

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# A BILL FOR AN ACT

RELATING TO CARBON SEQUESTRATION INCENTIVES.

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

1       SECTION 1. The legislature finds that climate change has  
2       led to an increase in the frequency of extreme weather events,  
3       which increases the risk of the Hawaiian islands being isolated  
4       and make the islands more vulnerable to food and water  
5       shortages. The potential for shortages highlights the need for  
6       greater food and water security, which can be achieved through  
7       increased local food production.

8       The legislature further finds that Hawaii needs to reduce  
9       its contribution to climate change. In addition to cutting  
10      emissions from burning carbon, Hawaii needs to mitigate climate  
11      change by sequestering greenhouse gases through regenerative  
12      agriculture and preserving forests. Incentivizing carbon  
13      sequestration actions through a payment of services program  
14      would allow small farmers, ranchers, and landowners to be  
15      compensated for taking actions to help Hawaii reach its climate  
16      goals.



1       The purpose of this Act is to establish a farmland and  
2 forest carbon smart incentive program that will promote keeping  
3 forests and farmlands intact and sequester additional carbon on  
4 those lands.

SECTION 2. Chapter 196, Hawaii Revised Statutes, is amended by adding a new part to be appropriately designated and to read as follows:

8 "PART . HAWAII FARMLAND AND FOREST CARBON SMART INCENTIVE  
9 PROGRAM

10            §196-     **Definitions.** As used in this part:

11 "Authority" means the Hawaii green infrastructure authority  
12 established pursuant to section 196-63.

13           "Carbon incentives contract" means a contract that  
14 specifies the following:

- 15           (1)    The eligible practices to be undertaken;  
16           (2)    The acreage of eligible land;  
17           (3)    The established rate of compensation;  
18           (4)    A schedule to verify that the terms of the contract  
19                have been fulfilled; and  
20           (5)    Other terms determined to be necessary by the  
21                authority.



1 "Eligible land" means farmland or forest land in the State  
2 that is privately owned, or public land leased to a private  
3 citizen at the time of initiation of a carbon incentives  
4 contract.

5 "Eligible practices" means practices that increase carbon  
6 sequestration and storage over a designated period on eligible  
7 land.

8 "Phase I activities" means activities identified as having  
9 a high likelihood of effectively achieving durable sequestration  
10 benefits at reasonable compensation rates across eligible land  
11 types, including:

12 (1) Any regenerative annual cropping system that includes  
13 at least four of the following practices:

14 (A) Compost application;

15 (B) Cover crops;

16 (C) Crop rotation;

17 (D) Green manure;

18 (E) No-till or reduced tillage; and

19 (F) Organic production;

20 (2) Improved pasture;

21 (3) Agroforestry;



1 (4) Reforestation;

2 (5) Protection of forests and shrublands from disturbance;  
3 and

4 (6) Rotational grazing and improved forage.

5 "Phase II activities" means activities identified as those  
6 that support significant sequestration potential but require  
7 additional technical work to estimate sequestration potential or  
8 identify appropriate eligible land types, including:

9 (1) Biofuel production;

10 (2) Methane capture;

11 (3) Improved forest management;

12 (4) Grazing intensity;

13 (5) Mixed production systems; and

14 (6) Efficient nutrient and waste management.

15 "Program" means the Hawaii farmland and forest carbon smart  
16 incentive program established by this part.

17 **§196- Hawaii farmland and forest carbon smart incentive**  
18 **program; established.** There is established within the authority  
19 the Hawaii farmland and forest carbon smart incentive program to  
20 incentivize carbon sequestration activities through carbon  
21 incentives contracts that provide for compensation for eligible



1 practices by program participants. The authority shall  
2 administer the program and shall:

- 3 (1) Conduct program evaluations;
- 4 (2) Coordinate with the department of agriculture and  
5 department of land and natural resources;
- 6 (3) Provide owners and lessees of eligible land financial  
7 incentive payments for eligible practices over a  
8 designated period, with appropriate crediting for  
9 carbon benefits as specified through a carbon  
10 incentives contract;
- 11 (4) Establish and implement protocols that provide  
12 monitoring and verification of compliance with the  
13 term of carbon incentives contracts;
- 14 (5) Make available to the public any modeling,  
15 methodology, or protocol resources developed to  
16 estimate sequestration rates of potential projects;  
17 and
- 18 (6) Identify, evaluate, and distribute dedicated funds to  
19 accomplish the purposes of the program.

20 **§196- Program assistance; contract terms and**  
21 **compensation rates.** (a) The authority, with assistance from



1 the department of agriculture and department of land and natural  
2 resources, shall establish compensation rates and carbon  
3 incentives contract terms for phase I activities within one year  
4 of the date of receipt of a program application. A carbon  
5 incentives contract shall be for a term of no less than one year  
6 and no more than thirty years, as determined by the owner or  
7 lessee; provided that the length of the contract term shall  
8 directly correlate with the rate of compensation paid pursuant  
9 to the contract.

10 (b) The department of agriculture and the department of  
11 land and natural resources shall assist the authority in  
12 carrying out the purposes of the program, including:

13 (1) Estimating sequestration rates for phase I and phase  
14 II activities;

15 (2) Conducting research to develop technical underpinning  
16 of compensation rates for phase II activities; and

17 (3) Conducting community and landowner outreach  
18 activities.

19 **§196- Reviewing committee; report.** (a) The chairperson  
20 of the authority, or the chairperson's designee, shall establish  
21 and serve as the chairperson of a reviewing committee to review



1 program applications. The chairpersons of the boards of  
2 agriculture and land and natural resources, or their respective  
3 designees, shall participate on the reviewing committee.

4 (b) The reviewing committee shall submit a report to the  
5 legislature no later than twenty days prior to the convening of  
6 the regular session of 2023 and each regular session thereafter  
7 that contains:

8 (1) An estimate of annual and cumulative reductions  
9 achieved as a result of the program, determined using  
10 standardized measures, including measures of economic  
11 efficiency;

12 (2) A summary of any changes to the program made as a  
13 result of program measurement, monitoring, and  
14 verification; and

15 (3) The total number of acres enrolled in the program.

16 **§196- Eligibility.** Landowners and lessees of eligible  
17 land shall be eligible for the program upon submission of a  
18 program application, prepared by the authority, to enter into a  
19 carbon incentives contract. An owner of eligible land currently  
20 engaged in eligible practices shall not be barred from entering  
21 into a carbon incentives contract under this part to continue



1 carrying out eligible practices. An owner or lessee shall not  
2 be prohibited from participating in the program due to  
3 participation of the owner or lessee in other federal or state  
4 conservation assistance programs. Conservation easements shall  
5 not be required for eligibility in the program.

6 **§196- Priority of carbon positive activities; benefits.**

7 (a) Priority eligibility shall be given to phase I and phase II  
8 activities that are:

9 (1) Cost effective;

10 (2) Provide co-benefits to the State and owner or lessee  
11 of eligible land;

12 (3) Have the potential to create jobs in the forestry or  
13 agriculture sectors, and in rural communities; and

14 (4) Achieve community priorities including food security  
15 or watershed protection.

16 (b) On an annual basis, The Hawaii greenhouse gas  
17 sequestration task force, established by section 225P-4, shall  
18 identify and prioritize selected carbon positive activities.  
19 The Hawaii greenhouse gas sequestration task force shall also  
20 identify co-benefits, which may include but are not limited to:

21 (1) Job creation;





- (2) Food security and agriculture for local consumption;
- (3) Water security;
- (4) Increased biodiversity;
- (5) Soil health; and
- (6) Invasive species reduction and removal."

SECTION 3. Section 196-64, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In the performance of, and with respect to the functions, powers, and duties vested in the authority by this part, the authority, as directed by the director and in accordance with a green infrastructure loan program order or orders under section 269-171 or an annual plan submitted by the authority pursuant to this section, as approved by the commission for the green infrastructure loan program, may:

- (1) Make loans and expend funds to finance the purchase or installation of green infrastructure equipment for clean energy technology, demand response technology, and energy use reduction and demand side management infrastructure, programs, and services;
- (2) Hold and invest moneys in the green infrastructure special fund in investments as permitted by law and in



1           accordance with approved investment guidelines  
2           established in one or more orders issued by the  
3           commission pursuant to section 269-171;

4       (3) Hire employees necessary to perform its duties,  
5           including an executive director. The executive  
6           director shall be appointed by the authority, and the  
7           employees' positions, including the executive  
8           director's position, shall be exempt from chapter 76;

9       (4) Enter into contracts for the service of consultants  
10          for rendering professional and technical assistance  
11          and advice, and any other contracts that are necessary  
12          and proper for the implementation of the loan program;

13       (5) Enter into contracts for the administration of the  
14          loan program, without the necessity of complying with  
15          chapter 103D;

16       (6) Establish loan program guidelines to be approved in  
17          one or more orders issued by the commission pursuant  
18          to section 269-171 to carry out the purposes of this  
19          part;

20       (7) Be audited at least annually by a firm of independent  
21          certified public accountants selected by the



1 authority, and provide the results of this audit to  
2 the department and the commission; [and]

3 (8) Administer the Hawaii farmland and forest carbon smart  
4 incentive program established by part \_\_\_\_\_; and

5 [+8+] (9) Perform all functions necessary to effectuate the  
6 purposes of this part."

7 SECTION 4. Section 225P-4, Hawaii Revised Statutes, is  
8 amended by amending subsection (a) to read as follows:

9 "(a) The greenhouse gas sequestration task force is  
10 established within the office of planning and sustainable  
11 development for administrative purposes only. The task force  
12 shall ~~[have the following objectives]~~:

13 (1) Work with public and private stakeholders to establish  
14 a baseline for greenhouse gas emissions within Hawaii  
15 and short- and long-term benchmarks for increasing  
16 greenhouse gas sequestration in the State's  
17 agricultural and natural environment;

18 (2) Identify appropriate criteria to measure baseline  
19 levels and increases in greenhouse gas sequestration,  
20 improvements in soil health, increases in agricultural  
21 and aquacultural product yield and quality



1           attributable to greenhouse gas sequestration and  
2           improvements in soil health, and other key indicators  
3           of greenhouse gas benefits from beneficial  
4           agricultural and aquacultural practices that may be  
5           used to create a certification program for promoting  
6           agricultural and aquacultural practices that generate  
7           greenhouse gas benefits and agricultural and  
8           aquacultural production benefits;

9           (3) Identify land and marine use policies, agricultural  
10          policies, agroforestry policies, and mitigation  
11          options that would encourage agricultural and  
12          aquacultural practices and land use practices that  
13          would promote increased greenhouse gas sequestration,  
14          build healthy soils, and provide greenhouse gas  
15          benefits;

16          (4) Identify ways to increase the generation and use of  
17          compost in Hawaii to build healthy soils;

18          (5) Identify practices and policies that add trees or  
19          vegetation to expand the urban tree canopy in urban  
20          areas to reduce ambient temperatures, increase climate



1           resiliency, and improve greenhouse gas sequestration  
2           in Hawaii; ~~and~~

3           (6) Make recommendations to the legislature and governor  
4           regarding measures that would increase climate  
5           resiliency, build healthy soils, provide greenhouse  
6           gas benefits, or cool urban areas~~[-]~~; and

7           (7) Identify and prioritize activities eligible for the  
8           Hawaii farmland and forest carbon smart incentive  
9           program established by part                   of chapter 196 on an  
10           annual basis."

11           SECTION 5. There is appropriated out of the general  
12 revenues of the State of Hawaii the sum of \$                   or so  
13 much thereof as may be necessary for fiscal year 2022-2023 to  
14 administer the Hawaii farmland and forest carbon smart incentive  
15 program.

16           The sum appropriated shall be expended by the Hawaii green  
17 infrastructure authority for the purposes of this Act.

18           SECTION 6. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

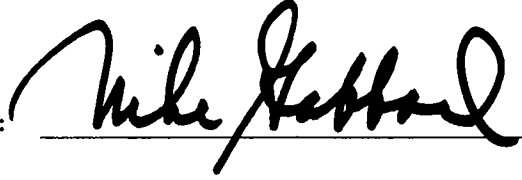
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1       SECTION 7.   This Act shall take effect on July 1, 2022.

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INTRODUCED BY:

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# S.B. NO. 2978

**Report Title:**

Hawaii Farmland and Forest Carbon Smart Incentive Program;  
Hawaii Green Infrastructure Authority; Appropriation

**Description:**

Establishes the Hawaii farmland and forest carbon smart incentive program. Appropriates funds to the Hawaii Green Infrastructure Authority.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

