DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: February 16, 2021
Time: 2:00 P.M.
Place: Via Videoconference, Hawaii State Capitol

Re: H.B. 1319, H.D. 1, Relating to Carbon Pricing

The Department of Taxation (Department) offers the following comments regarding H.B. 1319, H.D. 1, for your consideration.

H.B. 1319, H.D. 1, amends section 243-3.5, Hawaii Revised Statutes (HRS), to modify the environmental response, energy, and food security tax, colloquially known as the "barrel tax," by expanding it into a broader tax on carbon emissions. The measure would raise the tax from a flat rate of $1.05 on each barrel or fractional part of a barrel of petroleum product (except for aviation fuel) to unspecified amounts and create a tax matrix with different rates on eight categories of petroleum products, including aviation fuel and a catch-all for "other" types of fuel. The new rates would take effect on January 1, 2022, and increase in 2026, 2029, and 2032.

The bill would also raise the tax on each one million British thermal units (BTUs) of fossil fuel from 19 cents to unspecified distinct rates for coal and natural gas, also starting in 2022 and increasing in 2026, 2029, and 2032. An unspecified amount of the tax collected on each barrel would be deposited into the building energy efficiency revolving loan fund under section 201-20, HRS. All taxes on aviation fuel and all taxes for small boat fuel would be deposited into the airport revenue fund and the boating special fund, respectively; both funds are governed by section 248-8, HRS. The tax on BTUs would not apply to coal used to fulfill power purchase agreements (PPA) that were in effect as of June 2015, but this exemption would not apply to the extension of any existing PPA or any subsequent PPA.

The measure also proposes adding a new section to chapter 235, HRS, creating a refundable tax credit of unspecified amounts to mitigate the effect of the new carbon emissions tax on taxpayers. There would also be a tax credit of an unspecified amount per "qualifying child," defined as a minor who resides with the taxpayer and is claimed by the taxpayer as a dependent. H.D. 1 has a defective effective date of July 1, 2050, with the new mitigating tax credit applying to taxable years beginning after December 31, 2021.

First, with respect to the proposed tax credit in Section 2, the Department notes that restricting tax credit eligibility only to State residents may violate the U.S. Constitution. Notwithstanding the protentional constitutional issue, the Department suggests amending the credit to specify that the income thresholds apply to federal adjusted gross income. The term "gross annual household income" is not defined by this measure or in existing income tax law.

Second, the Department suggests clarifying the definition of "qualifying child" to read:

<u>"Qualifying child" means a minor who:</u>
<u>(1)</u> <u>Resides with the qualified taxpayer; and</u>
<u>(2)</u> <u>Is claimed as a dependent by the qualified taxpayer.</u>

This amended definition will ensure that only children of the *qualified* taxpayer will be eligible for the credit.

Third, the Department notes that the proposed tax credit in Section 2 is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Finally, the Department anticipates that it will be able to administer the measure with its original effective date of January 1, 2022. This measure will also require taxpayer education as it represents a significant change to this tax.

Thank you for the opportunity to provide comments.

WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021

ON THE FOLLOWING MEASURE:
H.B. NO. 1319, H.D. 1, RELATING TO CARBON PRICING.

BEFORE THE:
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

DATE: Tuesday, February 16, 2021 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Cynthia M. Johiro,
Deputy Attorney General, at 587-1470)

Chair Johanson and Members of the Committee:

The Department of the Attorney General has concerns regarding section 2 of this bill and offers the following comments.

The purposes of this bill are to increase the environmental response, energy, and food security tax to address carbon emissions and establish a refundable tax credit for lower-income individuals to mitigate the effect of the increase in tax. Under the bill, a "qualified taxpayer" eligible to claim the refundable tax credit is defined, in part, as a "resident taxpayer" meeting certain filing and income requirements. See, page 6, line 12, through page 7, line 7. Therefore, the tax credit will be available to resident taxpayers, but not to similarly situated nonresident taxpayers. As such, this bill may be subject to challenge under the Privileges and Immunities Clause of the United States Constitution.

"The Privileges and Immunities Clause, U.S. Const., Art. IV, § 2, provides that the Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several states." *Lunding v. New York Tax Appeals Tribunal*, 522 U.S. 287, 290 (1998) (internal brackets and quotation marks omitted). "One right thereby secured is the right of a citizen of any State to 'remove to and carry on business in another without being subjected in property or person to taxes more onerous than the citizens of the latter State are subjected to.'" Id. at 296 (quoting Shaffer v. Carter, 252 U.S. 37, 56

(1920)). The Privileges and Immunities Clause, therefore, "prohibits a State from denying nonresidents a general tax exemption provided to residents." Lunding, 522 U.S. at 302.

To overcome a challenge under the Privileges and Immunities Clause to a law that distinguishes between residents and nonresidents, a state must demonstrate that (1) "there is a substantial reason for the difference in treatment"; and (2) "the discrimination practiced against nonresidents bears a substantial relationship to the State's objective." Lunding, 522 U.S. at 298 (quoting Supreme Court of N.H. v. Piper, 470 U.S. 274, 284 (1985)) (internal quotations omitted).

The stated reason in the bill for the tax credit, to mitigate the effect of the tax on carbon emissions, does not appear to provide a substantial justification for the difference in treatment between residents and nonresidents. The bill’s carbon emission tax will apparently be part of the fuel tax, which is imposed on distributors. To the extent that the distributor passes the tax on to retailers, who pass the tax on to consumers, those consumers would consist of both residents and nonresidents. Accordingly, the increase in taxes imposed by this bill will affect both residents and nonresidents, and there does not seem to be a substantial reason for the difference in treatment. Moreover, it is not clear that the difference practiced against nonresidents bears a substantial relationship to the State's objective.

Based on the foregoing, we respectfully ask that this concern be addressed. One way to do this is to remove the word “resident” from the definition of “qualified taxpayer” on page 6, lines 12-13 of the bill, as follows: “‘Qualified taxpayer’ means a [~~resident~~] taxpayer who meets the following criteria[.]” This would address the possible Privileges and Immunities Clause challenge by making the refundable income tax credit available to similarly situated resident and nonresident taxpayers alike.

Thank you for the opportunity to provide comments.

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

M. KALEO MANUEL
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
CONSUMER PROTECTION AND COMMERCE

Tuesday, February 16, 2021
2:00 P.M.
State Capitol, Via Videoconference, Conference Room 329

In consideration of
HOUSE BILL 1319, HOUSE DRAFT 1
RELATING TO CARBON PRICING

House Bill 1319, House Draft 1 proposes to amend the Environmental Response, Energy, and Food Security Tax to address carbon emissions; to increase the tax rate over time; and to establish a refundable tax credit for qualified Hawaiʻi taxpayers. **The Department of Land and Natural Resources (Department) testimony is limited to SECTION 6, page 11, lines 17 through 19, and supports the language being proposed.**

The Department supports the proposal to allocate tax revenues from the sale of gasoline, diesel, or other fuel used in small boats to the Boating Special Fund. The Boating Special Fund is administered by the Department's Division of Boating and Ocean Recreation (DOBOR) and is currently funded by user fee collections from state small boat harbors, state boating facilities, and commercial ocean recreation activities, as well as lease rents for property under DOBOR's jurisdiction.

Thank you for the opportunity to comment on this measure.

STATE OF HAWAII
HAWAII CLIMATE CHANGE MITIGATION & ADAPTATION COMMISSION
POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
Anukriti Hittle
Coordinator, Hawaii Climate Change Mitigation and Adaptation Commission

Before the House Committee on
CONSUMER PROTECTION AND COMMERCE

Tuesday, February 16, 2021
2:00pm
State Capitol, Conference Room 329

In support of
HB 1319 HD1
RELATING TO CARBON PRICING

HB 1319 HD1 proposes to amend the environmental response, energy, and food security tax to address carbon emissions, to increase the tax rate to effectively set a price of $40 per metric ton of carbon dioxide emissions in 2022, and to incrementally increase the rate over time so that in 2032 the tax rate shall be equivalent to a carbon price of $80 per MTCO2e. **On behalf of the Hawaii Climate Change Mitigation and Adaptation Commission (Commission), I support this measure.**

The Hawaii Climate Change Mitigation and Adaptation Commission "recognizes the urgency of climate threats and the need to act quickly. It promotes ambitious, climate-neutral, culturally responsible strategies for climate change adaptation and mitigation in a manner that is clean, equitable and resilient." The Commission, established by Act 32 SLH 2017 to uphold the United States' pledges under the Paris Agreement, is the coordinating body for policies on climate change mitigation and adaptation for the state. It is a high-level multi-jurisdictional body that guides the priorities of the state's climate response. Co-chaired by DLNR and Office of Planning, it consists of 20 members—chairs of four legislative committees, and executive department heads at the county and state levels.

As recognized in the measure, the Commission believes that putting a price on carbon is the most effective single action that will achieve Hawaii's ambitious and necessary emissions reduction goals. This is supported by various expert organizations, including the International Monetary Fund, the Inter-Governmental Panel on Climate Change, and Hawaii's *Transportation Energy*

Analysis (2015).[1] According to IMF Working Paper *Macroeconomic and Financial Policies for Climate Change Mitigation: A Review of the Literature* "There is growing agreement between economists and scientists that the tail risks are material and the risk of catastrophic and irreversible disaster is rising, implying potentially infinite costs of unmitigated climate change, including, in the extreme, human extinction (see, e.g., Weitzman 2009)."[2] Further, economists at reputable investment banks such as JP Morgan have stated that "the most extreme risks of climate change can't be ruled out –including the collapse of human civilization."[3]

This measure aims to establish a price on carbon dioxide, in order to reflect the full cost of using fuels that produce carbon dioxide to discourage behavior that is expensive to life, property and nature--and thereby decrease these emissions. In the aftermath of the pandemic, this measure also attempts to make life easier for lower income families.

Carbon tax and the social cost of carbon. A carbon tax directly sets a price on carbon by defining a tax rate on greenhouse gas emissions or – more commonly – on the carbon content of fossil fuels. It is different from an Emissions Trading System in that the emission reduction outcome of a carbon tax is not pre-defined, but the carbon price is.[4]

A good carbon pricing mechanism, therefore, sets the carbon tax at the social cost of carbon at the very least, and higher if emissions targets for under 2 degrees warming are to be achieved.

EPA's Social Cost of Carbon (SSC) is defined as "a measure, in dollars, of the long-term damage done by a ton of carbon dioxide (CO_2) emissions in a given year."[5] EPA and other federal agencies use estimates of the SSC to value the climate impacts of rulemakings. Per its 2016 Fact Sheet, EPA estimates that the average SSC in 2020 would be $42 per MT.

The rate for Hawaii. Rounding this up, generally accounting for inflation and using the CPI based on UHERO's information, to $45 in 2020 is a plausible starting point, and puts us at $15 per barrel.[6] Currently, Hawaii's barrel tax is $1.05 per barrel, or approximately $3.15 per MT CO2e.

While these figures may appear high, they is actually on the low side of the World Bank's recommendations for a carbon tax range from $40 to $80 per MT CO2e by 2020 and $50-100 per ton by 2030, according to the High-Level Commission on Carbon Prices, co-chaired by Joseph Stiglitz and Lord Nicholas Stern.[7] The EPA additionally recommends high-impact increases of $123 by 2020 and $152 by 2030 per MT CO2e.

[1] Hawaii Climate Change Mitigation and Adaptation Commission's statement (Nov 2018), available at: http://climate.hawaii.gov/wp-content/uploads/2018/11/NR-Climate-Commission-Recommends-Urgent-Action-to-Combat-Emissions-Nov.-28-2018.pdf

[2] *Macroeconomic and Financial Polices for Climate Change Mitigation: A Review of the Literature.* Signe Krogstrup and William Oman. IMF Working Paper 2019

[3] *JP Morgan Warns of Climate as a Threat to 'Human Life as We Know It.'* Katia Dmitrieva. February 21, 2020. Bloomberg Green, available at: https://www.bloomberg.com/news/articles/2020-02-21/jpmorgan-warns-of-climate-threat-to-human-life-as-we-know-it

[4] See Carbon Pricing Leadership Coalition (CLPC), available at: https://www.carbonpricingleadership.org/

[5] *EPA Fact Sheet.* Environmental Protection Agency (2016), available at: https://www.epa.gov/sites/production/files/2016-12/documents/social_cost_of_carbon_fact_sheet.pdf

[6] "UHERO Consumer Price Index" (2020) US Department of Labor, Bureau of Labor Statistics, available at: https://data.uhero.hawaii.edu/#/series?id=147933&data_list_id=56&sa=true

[7] "Report of the High-level Commission on Carbon Prices" (2017), Carbon Pricing Leadership Coalition, available at: https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices/

Carbon taxes in the real world. According to the US Climate Leadership Council, an escalating carbon fee offers the most cost-effective climate policy solution[8]. Some may say these estimates are theoretical. However, in reality, more than 74 nations, states, and cities have implemented carbon pricing all over the world[9]. In the US, ten states have implemented SCC carbon pricing in assessing new projects[10]. Even as far back as 2008, the Canadian province of British Columbia (BC) implemented the first comprehensive and substantial carbon tax in North America. By 2012, the tax had reached a level of C$30 per MT CO2e, and covered approximately three-quarters of all greenhouse gas emissions in the province.

Carbon tax's effect on the economy and emissions. Jurisdictions worried about what effects carbon pricing has on their economies look again to British Columbia. According to a Nicholas Institute 2015 paper:[11]

> a. Empirical and simulation models suggest that the tax has reduced emissions in the province by 5–15%.
> b. At the same time, models show that the tax has had negligible effects on aggregate economic performance, though certain emissions-intensive sectors have faced challenges.
> c. Studies differ on the effects of the policy on income distribution but agree that they are relatively small.
> d. Finally, polling data show that the public initially opposed the tax but now generally supports it.

However, although one of the longest running carbon tax experiments, BC's example more recently shows that a carbon tax will have to be much higher than its intent to go as high as $50 per MT to achieve climate goals. According to one source, "while BC's emissions are lower than they would have been without the carbon tax, the fact they have only levelled off underscores that either a higher carbon price or more aggressive complementary measures are needed to achieve the absolute reductions in emissions."[12] BC's example shows that neither its economy nor its government toppled.

Justice/Equity issues. Additionally, I ask the Committees to draw their attention to the Commission's strong focus on equity, in its carbon pricing statement:

> While the specific mechanisms behind a carbon fee program are not yet outlined, the Commission emphasized the urgent need for such a program, and supports legislation that endeavors to establish one, but also recognizes that any carbon pricing mechanism:
>
> - Must be equitable, and appropriate for the people of Hawaii.

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[8] *A Winning Trade: How Replacing the Obama-Era Climate Regulations with a Carbon Dividends Program Starting at $40/Ton Would Yield Far Greater Emission Reductions* (2018) David Bailey, US Climate Leadership Council.
[9] *State and Trends of Carbon Pricing 2019* (2019) World Bank Group, Open Knowledge Repository, available at: https://www.carbonpricingleadership.org/who
[10] "US State Carbon Pricing Policies". Center for Climate and Energy Solutions, available at: https://www.c2es.org/document/us-state-carbon-pricing-policies/
[11] "British Columbia's Revenue-Neutral Carbon Tax: A Review of the Latest "Grand Experiment" in Environmental Policy". Murray, Brian, et al. (2015) Nicholas Institute of Environmental Policy Solutions, available at: https://nicholasinstitute.duke.edu/climate/publications/british-columbias-revenue-neutral-carbon-tax-review-latest-grand-experiment
[12] "Lessons from British Columbia's carbon tax: (July 11, 2019) Kathryn Harrison, Policy Options Politiques, available at: https://policyoptions.irpp.org/magazines/july-2019/lessons-from-british-columbias-carbon-tax/

- Must demonstrate how this is a critical policy tool to protect the future—of Hawaii's keiki and ʻāina.
- Must be adequate to change behavior.

Tax credit versus dividend: what benefits? The measure addresses these equity concerns by proposing a refundable tax credit for lower income families. To minimize the impacts on this group, I urge the Committee to consider also appropriately increasing the tax credit over the years. Alternatively, the Committee might consider a fee and dividend mechanism rather than a tax credit, as the former is a more "visible" payment, lacks ambiguity, and is easier to administer-and generally may be more publicly "palatable." It could also be structured to increase with increases in the price on carbon. For over a decade, BC has demonstrated that carbon fee and dividend systems represent a viable solution to carbon emission reduction for complex economies.[13] BC first implemented a carbon tax in 2008, and recently increased its rate from $35-$40 per tCO2e as part of an innovative carbon fee and dividend system.[14] The carbon "fee" portion is planned to increase by $5 per tCO2e until reaching $50 per tCO2e in 2021. As for the "dividend" portion, BC is funneling the revenues from the increased carbon tax back to households at $154.50 per adult and $45.50 per child. In addition, BC uses revenues to provide tax relief, ensure equity, maintain industry competitiveness, and encourage new green initiatives.[15]

I also urge the Committee to consider passing this measure this year, as the cost of inaction is great—climate change impacts are being felt in Hawaii already, and all science-based projections indicate they will continue to worsen. These impacts will be felt disproportionately by the vulnerable lower income communities, and life will get more expensive and worse for them if nothing is done to address these inequities. This measure is the most effective tool in a suite of policy tools that need to be undertaken, and is one that would address much needed equity and regressivity issues that already exist in Hawaii. By putting a structure in place now would not only acknowledge the deep crisis that we are in, but actually take effective action to address the crisis, and make things right for those who need it most, especially post-pandemic.

Thank you for the opportunity to offer testimony in support of this measure.

[13] The Economic, Climate, Fiscal, Power, and Demographic Impact of a National Fee-and-Dividend Carbon Tax (2014) Regional Economic Models, Inc., available at: https://citizensclimatelobby.org/wp-content/uploads/2014/06/REMI-carbon-tax-report-62141.pdf

[14] *State and Trends of Carbon Pricing* (2019) World Bank Group, available at: http://documents.worldbank.org/curated/en/191801559846379845/pdf/State-and-Trends-of-Carbon-Pricing-2019.pdf

[15] "British Columbia's Carbon Tax" (2020) Government of British Columbia, available at:https://www2.gov.bc.ca/gov/content/environment/climate-change/planning-and-action/carbon-tax

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor

PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TUESDAY, FEBRUARY 16, 2021
2:00 P.M.
VIA VIDEO CONFERENCE

HOUSE BILL NO. 1319 HD1
RELATING TO CARBON PRICING

Chairperson Johanson and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1319, HD1 that amends the Environmental Response, Energy, and Food Security Tax (barrel tax) to address carbon emissions by amending the amount of the tax and the manner in which it is applied to petroleum products, coal and natural gas. The bill also amends the distribution of the barrel tax collected and distributed to the four existing special and revolving funds; adds a new revolving loan fund for building energy efficiency; and establishes two new barrel tax recipients – the Airport Revenue Fund and the Boating Special Fund. The bill also establishes a refundable tax credit to mitigate the effect of a carbon emissions tax on taxpayers. The Department of Agriculture (“Department”) offers comments.

The Department is unable to determine and is concerned regarding the impact of the proposed amendments on the amount of the barrel tax that will be deposited to the Agricultural Development and Food Security Special Fund (Food Security Special Fund). The barrel tax revenues deposited into the Food Security Special Fund, established in 2010 and codified as HRS, Section 141-1(c), has provided the Department with critical funding to ensure food security and maintain departmental mission priorities, such as grants to farmers for agricultural production and processing activities, acquiring agricultural resources and infrastructure, agricultural research, agricultural equipment, plant quarantine inspection, promotion and marketing of agricultural products, water testing, and other activities, all of which are intended to increase agricultural production or processing that leads to increasing food self-sufficiency. A reduction in the amount of barrel tax deposited into the Department's Food Security Special Fund will adversely affect our ability to increase the contribution of agricultural production to the State's economic recovery.

Thank you for the opportunity to comment on this measure.

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 16, 2021
2:00 PM
State Capitol, Conference Room 329

Comments in consideration of
HB 1319 HD1
RELATING TO CARBON PRICING.

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on HB 1319 HD1, which establishes a refundable income tax credit for Hawaiʻi residents, subject to limitations; and revises the current “barrel tax” to be based on carbon emissions rather than volume of the fuels.

Preliminary results from a carbon pricing study that is in the process of being finalized indicate that, if done correctly, providing a “dividend” (or, as proposed in this bill, a tax credit) to residents, funded by a tax on carbon emissions, could have a positive economic impact on Hawaiʻi’s households in a normal economy, while providing market signals to reduce the carbon intensity of the economy. Although the study did not model the current COVID situation or the specific features proposed in HB 1319, some of the insights gained through that work may be of interest while considering HB 1319.

There are generally two objectives with programs, such as the “Climate Action Tax Credit” in place in British Columbia,[1] that provide a dividend to residents that is funded by a tax on carbon emissions: first, provide a net financial benefit to low- and moderate-income individuals and families, funded by a tax on sources of pollution; second, encourage innovation in, and support the transition to, a lower carbon future.

One prominent concern is whether carbon pricing has an overall adverse effect on those with lower incomes (i.e., is it regressive). Since those with limited incomes spend a higher proportion of their income on necessities, including energy, and have fewer options to change their lifestyle and energy habits, this is an understandable concern, and is the reason why the dividend (or in this case, tax credit) is such an important part of the program. Essentially, those with higher incomes – and, in Hawai‘i's case, tourists as well – use more fuel (and energy in general), particularly jet fuel, so are covering more of the costs of the program. This means that if the tax credit is set carefully, the lower income groups will receive more than they paid into the program. Although there are many other important details, including timing, frequency, and balance, in general the program has the potential to be progressive rather than regressive.

Regarding Section 2 of the bill, HSEO notes that a mechanism to return a sufficient amount of the revenue collected is an important part of the program's ability to support Hawai‘i's economic welfare. HSEO defers to the Department of Taxation on administration.

Regarding Sections 3, 4, and 5 of the bill, HSEO appreciates the use of an existing mechanism, and defers to the Departments of Taxation and Budget and Finance on administration.

Regarding Section 6 of the bill, HSEO notes that if the proposed rates are consistent with emissions, the measure would function as a carbon tax, which has been identified by the Hawaii Climate Change Mitigation and Adaption Commission as the most effective single action to achieve carbon emissions reductions; and would support Hawaii's goal of sequestering more greenhouse gases than are emitted within the state as quickly as practicable, but no later than 2045.

Thank you for the opportunity to testify.

[1] British Columbia's Carbon Tax: https://www2.gov.bc.ca/gov/content/environment/climate-change/planning-and-action/carbon-tax

Hawaii Transportation Association
Driving Hawaii's Economy

February 16, 2021

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE ON HB 1319 HD1 RELATING TO CARBON PRICING

Aloha Chair Johanson, and committee members. I am Gareth Sakakida Managing Director of the Hawaii Transportation Association (HTA) with over 375 members involved with the commercial ground transportation industry.

HTA opposes the increase of fossil fuel related taxes for commercial motor vehicles. These vehicles ensure our high standard of living delivering everything we need to live: food and beverage; medicine; household appliances; furniture; building materials, etc.

Fuel costs and related taxes are generally ranked in the top two operational cost factors for motor carriers. Increasing any cost factor only serves to boost the cost of everything.

It is laudable this bill seeks to minimize the fuel tax related impact on lower income families, but it does not shield them from retailers' increased prices factored by increased transportation costs.

These motor carriers are out there doing a job, and always seeking to be as efficient as possible. Some like to criticize the industry for not converting to zero emission vehicles. This is a most costly transition as the driving public itself is realizing.

For commercial vehicles, electric power means investing in vehicles that cost 4-5 times as much as non-ZEVs, an extreme stretch for an industry of small operators. Obtaining the vehicle is just the first step as a refueling infrastructure needs to be established. One cannot go to the neighborhood gas station to refuel with hydrogen, natural gas, or electricity.

These infrastructures are also costly and require land for their construction.

Mahalo.

HAWAII FOOD INDUSTRY ASSOCIATION

1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

TO:
Committee on Consumer Protection and Commerce
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 16, 2021
TIME: 2pm
PLACE: Via Videoconference

RE: HB1319 HD1 Relating to Carbon Pricing

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We oppose this measure to add an additional carbon tax to fuel. As the text of the measure notes, "The department of taxation already implements various fuel-based taxes, including the environmental response, energy, and food security tax, which imposes a tax on barrels of petroleum products. A separate tax is also imposed on fossil fuels other than petroleum, applied to each million British thermal units (BTUs) of heat value of a fuel." This bill would add another tax burden for our local businesses, which will impact local consumers and our state's economy in ways we don't understand. In 2019 the Legislature passed Act 122 to conduct a carbon pricing study. It appears that the study has not been completed, until the results of this study are available we will not know how this added tax will impact Hawaii businesses or Hawaii consumers.

Hawaii is a leader in the use of renewable energy, and we continue to improve our energy efficiency and sustainability. Many of our businesses have set sustainability goals of their own. We believe that the State government should be working with our local businesses and residents to help improve energy sustainability through cooperation and positive incentives. Creating anther burden for Hawaii businesses is not the right answer. We ask that this measure be held and we thank you for the opportunity to testify.

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the House Committee on Consumer Protection & Commerce
Tuesday, February 16, 2021 at 2:00 P.M.
Via Videoconference

RE: HB 1319, HD 1, RELATING TO CARBON PRICING

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 1319, HD 1 which amends to unspecified amounts the environmental response, energy, and food security tax and accompanying refundable tax credit to mitigate the effect of a carbon emissions tax.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber understands the benefits of a sustainable future and the role Hawaii plays in protecting our environment and increasing energy efficiency, but we must also refrain from imposing unnecessary burdens that will create unintended consequences on businesses and entrepreneurs.

The bulk of Hawaii's emissions come from the electricity and transportation sectors — driving, flying and shipping in goods and tourists from thousands of miles away. These industry sectors are the lifeline of Hawaii's economy and because the taxes proposed, though unspecified, in HB 1319, HD 1 would adversely affect a significant portion of consumer expenditures, increased costs will be passed down the economic chain onto purchasers of goods.

In addition, pursuant to Act 122, Session Laws of Hawaii 2019, the Hawaii State Energy Office initiated a carbon pricing study. To our knowledge, this study has not been complete which could help shape and inform policy makers and market sectors with valuable data to limit unintended consequences and burdens on businesses and consumers across the state.

Policy making on this matter should not proceed without a public assessment of this publicly funded study.

Thank you for this opportunity to provide testimony.

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COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair

DATE: Tuesday, February 16, 2021
TIME: 2:00 p.m.

HB 1319, HD1: RELATING TO CARBON PRICING **OPPOSE**

Aloha Chair Johanson, Vice Chair Kitagawa, and Members of the Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 51 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

"More than 8 million people around the world die each year as a result of breathing polluted air that contains particles from fossil fuels" (CNN, 2021).[1]

"An average of more than 30% of deaths in adults aged 14 and over in Eastern Asia are attributable to pollution from fossil fuels" (The Guardian, 2021).[2]

[1] https://www.cnn.com/2021/02/09/world/climate-fossil-fuels-pollution-intl-scn/index.html
[2] https://www.theguardian.com/environment/2021/feb/09/fossil-fuels-pollution-deaths-research

"Every Day 10,000 People Die Due to Air Pollution from Fossil Fuels" (Forbes, 2020).[3]

"In the **United States** alone, air pollution from burning fossil fuels is linked to an estimated 230,000 deaths and $600 billion in economic losses annually." (Greenpeace, 2020)[4].

There is a climate war at hand. Some people deny that climate change is real, others want to appease to fossil fuel industry, some favor a go-slow approach, but that will only hasten the point of no return, where we all lose.

The climate crisis is out of control. Hurricanes, global extinctions, torrential rain, melting of the polar ice cap, and human suffering, equity, and environmental justice must be dealt with.

An economic approach is to say that the free market created the crisis, and they can solve the crisis. Send the right price signal to the marketplace and the private sector will fix everything. Consumer behavior is to blame, therefore tax them. That will force them to change their behavior.

"Framing the climate challenge as a market failure, however, fails to seriously appreciate its scope and depth ... climate change can be more appropriately understood as a system problem … Addressing the climate challenge, therefore, involves fundamental changes to existing systems … Carbon pricing strategies are often considered to be the most efficient means of reducing carbon emissions ...We question whether efficiency should be an overriding priority of climate policy … Despite the urgency of the problem, carbon pricing places considerable weight on seeking low-hanging fruit and … fails to appreciate that `we must eventually pick all of the apples on the tree`."[5]

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[3] https://www.forbes.com/sites/rogerpielke/2020/03/10/every-day-10000-people-die-due-to-air-pollution-from-fossil-fuels/?sh=15d4c91f2b6a

[4] https://www.greenpeace.org/usa/research/toxic-air-price-fossil-fuels-pollution/

[5] Opinion: Why carbon pricing is not sufficient to mitigate climate change—and how "sustainability transition policy" can help (2020) by Daniel Rosenbloom, Jochen Markard, Frank W. Geels, and Lea Fuenfschilling, Proceedings of the National Academy of Sciences of the United States of America, Peer-reviewed journal. https://www.pnas.org/content/117/16/8664

Ireland`s Sinn Féin: *"Carbon taxation does not reduce carbon emissions. Carbon tax generates taxes."*[6]

The Indigenous Environmental Network and the Climate Justice Alliance: "Carbon pricing, including carbon trading, carbon taxes and carbon offsets, are false solutions to climate change that do NOT keep fossil fuels in the ground… *Carbon pricing is a name for a tool that governments, financial institutions, and corporations have adopted in order to try to reconcile their continuing commitment to fossil fuel use with the need to appear to take action on climate change."*[7]

British Columbia is often used as a model of how a revenue-neutral carbon tax works. But the revenue-neutral tax was converted to a tax increase, impacted businesses were given tax credits,[8] and greenhouse gas emissions rose faster in taxed sources than untaxed sources.

Food & Water Watch: "During the years that the tax was in place for the entire year, from 2009 to 2014, greenhouse gas emissions from taxed sources rose by a total of 4.3 percent. During this same time period, emissions from non-taxed sources fell by a total of 2.1 percent … the carbon tax has failed the reduce carbon emissions in the ten years since it was implemented."[9]

Progressive carbon tax advocates support giving the money back to consumers. But how will a price signal change behavior if the money is given back to consumers? There are also equity and environmental justice issues: the market locates undesirable facilities in environmental justice communities with limited political clout.

"`There's been a predominant conversation in Washington, D.C., that's been led by economists and politicos that have tried to frame a carbon tax as the only way,` said Evan Weber, national political director with the Sunrise Movement. `It`s proved time and time again to be not politically popular, and we haven`t even

[6] https://www.sinnfein.ie/files/2019/Climate_Minority_Report.pdf
[7] http://www.ienearth.org/wp-content/uploads/2017/11/Carbon-Pricing-A-Critical-Perspective-for-Community-Resistance-Online-Version.pdf
[8] Examining the Revenue Neutrality of British Coumbia's Carbon Tax https://www.fraserinstitute.org/sites/default/files/examining-the-revenue-neutrality-of-bcs-carbon-tax.pdf
[9] https://www.foodandwaterwatch.org/insight/british-columbia-carbon-tax-failed-experiment-market-based-solutions-climate-change

priced the policy at where economists say it needs to be. The idea that [a carbon tax is] the way out of this mess is something we need to be pushing back on`."[10]

Friends of the Earth: "A carbon price or a market price that is high enough to actually create real change is going to be highly unpopular politically."[11]

The fossil fuel industry has known for decades that climate change is real while they spent millions of dollars to create confusion to justify their obscene profits at the expenses of every living entity on the planet.

"Climate change's scientific logic mandates that fossil fuel abolition will be necessary."[12]

The economic solution of carbon taxing has failed the real-world test.

Food & Water Watch: *"Carbon taxes – while popular with economists – have proven to be ineffective at actually reducing emissions in the real world. And according to research prepared for the Citizens' Climate Lobby, we will actually see an increase in electricity from fracked gas under a carbon tax plan they studied."*[13]

Greenpeace USA: *"Proposals for carbon taxes and cap-and-trade have taken up too much climate-solution oxygen in recent years, and so far, they have been flimsy half measures porous with loopholes. They come nowhere close to meeting the scale of the crisis."*[14]

HB 1319, HD1 favors people who drive less because they live in urban centers and does not address the lack of public transit in rural communities.

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[10] https://www.politico.com/story/2018/12/09/carbon-tax-climate-change-environmentalists-1052210
[11] 'Utter failure.' How carbon tax lost its allure. Quote by FOE President Erich Pica
E&E News February 27, 2020 https://www.eenews.net/stories/1062457547
[12] Karl S. Coplan, Fossil Fuel Abolition: Legal and Social Issues, 41 Colum. J. Envtl. L. 223 (2016), http://digitalcommons.pace.edu/lawfaculty/1022/.
[13] https://www.foodandwaterwatch.org/sites/default/files/rpt_1609_carbontax_web.pdf
[14] https://www.greenpeace.org/usa/if-we-dont-stop-producing-fossil-fuels-we-wont-make-it/

<u>THE SOLUTIONS</u>:

Life of the Land asserts that a good start would be to

phase-out fossil fuels by 2035,

end fossil fuel subsidies,

ban fossil fuel advertising,

ban fossil fuel donations to politicians,

ban fossil fuel car sales effective 2030,

expand broadband and electrical vehicle infrastructure especially in economically challenged and rural areas,

ban fossil fuel representatives from serving in executive branch cabinet and administration,

require retirement funds to divest from the fossil fuel industry,

promote energy efficiency and conservation,

expand rooftop solar and storage with larger incentives for economically challenged and rural communities, and

aggressively support low-climate-impact, non-thermal, renewable energy resources, relying on a holistic framework mindful of agriculture, equity, and environmental justice issues.

Mahalo
Henry Curtis
Executive Director

House Committee on Consumer Protection & Commerce
February 16, 2021 at 2:00 p.m.

SUPPORTING HB 1319 HD 1 WITH AMENDMENTS

Faith Action for Community Equity supports HB 1319 HD 1 with amendments. We support the idea of the carbon tax, and we support the concept of mitigating the adverse financial effects of the tax burden. However, for social equity reasons, we recommend rebating the additional tax revenues resulting from this bill to people through direct payments instead of tax credits.

The bill increases the existing Environmental Response, Energy, and Food Security Tax, which the bill renames, and which is commonly known as the barrel tax. Carbon tax mechanisms incentivize the changes needed in consumption, production and investment behavior to induce the transition to a low carbon future. Carbon taxes have been favored by governments because of their lower cost of implementation and the comparative ease of implementation. A total of 25 countries have adopted some form of a carbon tax.

The bill initially sets the tax in 2022, then increases it in 2026, and again in 2029 and 2032, all at unspecified amounts. In keeping with the Obama era Social Cost of Carbon and the original bill, we recommend that the carbon tax be set at about $40 per metric ton of carbon dioxide emissions in 2022 and increase to $80 per metric ton of carbon dioxide emissions in 2032. Increasing the tax annually so that people are well aware of it will further nudge them to shift away from fossil fuels.

Using this reasoning, this bill should assess a carbon tax on all fossil fuels. On petroleum, for example, the tax would be $15 per barrel in 2022, increasing annually by $1.50 until 2032. At that time, the Legislature can examine the effectiveness of the carbon tax rates to determine what they should be in future years.

This bill creates a refundable tax credit of an unspecified amount to mitigate the effects of the barrel tax. The tax credit is limited to taxpayers filing in various categories earning unspecified amounts or less. The refundable tax credit is fixed, but the tax increases over time, increasing the burden of the tax on residents over time.

The tax credit could, in theory, increase as the tax increases. At the hearing of the House Energy and Environmental Protection Committee on February 9, 2021, the Hawaii Department of Taxation stated that the tax credit could be increased every time the tax increases, but the Legislature would have to pass a bill each time, so any increase in the tax credit in the future would be uncertain.

A simpler method of mitigating the adverse financial effects of the tax on taxpayers would be to return the tax revenue in equal lump-sum rebates. That is consistent with the model endorsed by more than 3,500 U.S. economists, 28 Nobel Laureate Economists, and four former Chairs of the Federal Reserve, including Janet Yellin, the current Treasury Secretary. The rebates could be sent to Hawaii taxpayers by the Department of Taxation, just as federal stimulus checks were sent to U.S. taxpayers by the Internal Revenue Service.

Initially, the tax should be set at a low rate and rebated only to low income families. Then the tax should be increased and rebated to everyone who files for Hawaii income tax.

However, some have suggested setting income limits for the rebate and not returning all the money from the carbon tax to people. In that case, the total amount of the tax revenue rebated to taxpayers should be proportional to the population that qualifies. For example, if the lowest earning 60% of the population qualifies for the rebate, they should get 60% of the tax revenue.

If rebates rather than tax credits are used to mitigate the adverse financial effects of the tax, consideration should be given to create a new tax separate from the barrel tax, but using the same methodology. This would simplify the accounting of the tax revenues and rebates.

In summary, the carbon tax is an effective and economically efficient means of reducing greenhouse gas emissions to control climate change. For the sake of equity, all of the tax revenue should be distributed to all Hawaii taxpayers.

Faith Action for Community Equity supports HB 1319 HD 1, with amendments that return all of the tax revenue to those filing for Hawaii income tax through equal lump-sum rebates.

HB 1319, HD 1, RELATING TO CARBON PRICING

FEBRUARY 16, 2021 · HOUSE COMMERCE AND CONSUMER PROTECTION COMMITTEE · CHAIR REP. AARON LING JOHANSON

POSITION: Support with amendments.

RATIONALE: Imua Alliance **supports and offers amendments** for HB 1319, HD 1, relating to carbon pricing, which amends the environmental response, energy, and food security tax to address carbon emissions and establishes a refundable tax credit to mitigate the effect of a carbon emissions tax on taxpayers.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding. Additionally, an estimated $19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

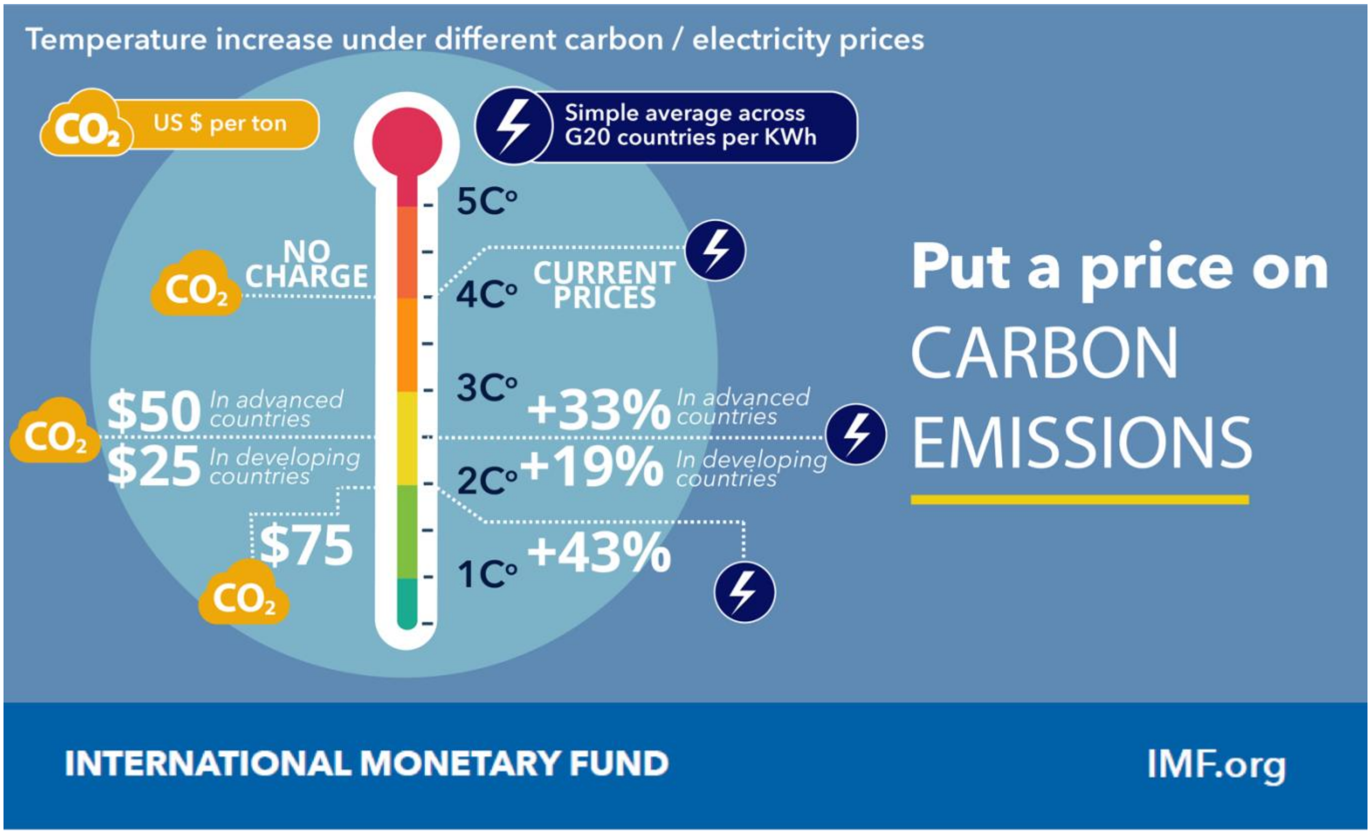
Furthermore, according to research conducted by Michael B. Gerrard from Colombia Law School, modern-day slavery tends to increase after natural disasters or conflicts where large numbers of people are displaced from their homes. In the decades to come, says Gerrard, **climate change will very likely lead to a significant increase in the number of people who are displaced**

and, thus vulnerable, to human trafficking. While the Paris Climate Agreement of 2015 established objectives to limit global temperature increases and several international agreements are aimed at combating modern-day slavery, it is highly uncertain whether they will be adequate to cope with the scale of the problem that is likely to occur as a result of climate change.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area–one-third of which is designated for urban use–without risking massive structural damage and, potentially, great loss of life.

Therefore, our state should take steps to protect Hawai'i's coastal areas, including by exploring carbon pricing options. A carbon tax is a fee imposed on the burning of carbon-based fuels (coal, oil, gas). More to the point, a carbon tax is the core policy for reducing and eventually eliminating the use of fossil fuels whose combustion is destabilizing and destroying our climate, forcing users of carbon fuels pay for the climate damage caused by releasing carbon dioxide into the atmosphere. If set high enough, a carbon tax can be a powerful monetary disincentive that motivates switches to clean energy across the economy by making it more economically rewarding to employ non-carbon fuels and energy efficiency.

Utilizing existing tax collection mechanisms, a carbon tax is paid "upstream," i.e., at the point where fuels are extracted and inserted into the stream of commerce or imported into the U.S. Fuel suppliers and processors are free to pass along the cost of the tax to the extent that market conditions allow, with market forces simultaneously creating a monetary incentive to reduce carbon dioxide emissions and help our planet curb the climate crisis's global warming effect. Carbon that is chemically bound into manufactured products–such as plastics–are not be taxed under a carbon tax scheme. Similarly, any CO2 from energy production that is permanently sequestered rather than released into the atmosphere wouldn't and shouldn't be taxed (or should receive an offsetting tax credit). Finally, **we urge you to replace this bill's refundable tax credit with a dividend scheme, as found on page 7, lines 11 to 15 of HB 460, through which at least 25 percent of the revenue gained is directly returned to people earning 80 percent AMI or less to offset the regressivity of the tax on economically vulnerable residents.**



Notably, a Brookings Institute report found that using 2013 emissions figures, a carbon tax of only $20/ton would generate an estimated $365 million for Hawai'i.

Table 31: Estimated Impact of Carbon Tax, State of Hawaii

Per capita energy related CO2 emissions in 2013	2013 Electronic Power Fossil Combustion CO2	2013 Industrial Fossil Fuel Combustion	Total including transport	Total potential revenue, assuming 2013 emissions and tax rate of $20/ton CO2	Total carbon tax potential revenue as a share of state GDP in 2013
metric tons CO2/person	MMTCO2	MMTCO2	MMTCO2	$ millions	%
12.9	6.8	1.5	18.3	**$365**	0.49%

Source: Brookings Institution State-Level Carbon Taxes, 2016

As we accelerate our transition to a clean energy economy and continue our fight against climate change, we cannot afford to forego this sustainability-minded method of revenue generation.

HB-1319-HD-1
Submitted on: 2/14/2021 6:56:34 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carol Cam	Citizens Climate Lobby	Support	No

Comments:

To: House Committee on Consumer Protection & Commerce

Re: Supporting HB 1319 HD 1 with Amendments

Dear Committee Members,

I urge you to support HB 1319 HD 1 with Amendments. I urge you to approve setting the Social Cost of Carbon at about $40 per metric ton of CO_2 emissions in 2022, and increase to $80 per metric ton of CO_2 emissions in 2032. The bill should assess carbon tax on all fossil fuels, beginning at $15 per barrel in 2022, increasing yearly by $1.50 until 2032. I further urge you to approve lump-sum rebates from the Department of Taxation to Hawaii residents to alleviate the burden of additional costs passed along to them.

As per endorsement by 3,500 economists, 28 Nobel Laureate Economists, and four former Chairs of the Federal Reserve, the carbon tax is an effective and economically efficient means to reduce greenhouse gas emissions, control climate change, as well as to address environmental justice concerns of Hawaii residents. Furthermore, carbon tax rebates address financial hardship issues of Hawaii residents brought on by a carbon tax.

Thank you sincerely,

Carol Cam – Citizens Climate Lobby, Maui Chapter

1591 Aa Street, Lahaina, HI 96761

Email: communications@ulupono.com

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, February 16, 2021 — 2:00 p.m.

Ulupono Initiative supports the intent of HB 1319 HD 1, Relating to Carbon Pricing.

Dear Chair Johanson and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawaiʻi-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports the intent of HB 1319 HD 1, which amends the environmental response, energy, and food security tax to address carbon emissions and establishes a refundable tax credit for certain individuals.

We support a carbon pricing strategy and framework broadly, especially in light of prior research done by the Interagency Working Group on the Social Cost of Greenhouse Gases[1] and the consensus among expert economists on the current estimate of the social cost of carbon being well over $50 per ton.[2] However, we do believe it is imperative that a carbon tax is implemented deliberatively and comprehensively. The current proposal raises key questions:

- Understanding implications on existing revenues – what happens to other emissions and fuel-use related taxes under a carbon tax and the programs funded? For example, how do transportation funding programs adapt to reduced fuel use? And how can those agencies' programs be reconfigured to help support our climate goals versus hindering them through inducing greater vehicle miles traveled as they currently do?
- Advancing equity – we commend this proposal's attempt to address equity issues. However, it is unclear to what extent this proposal helps address them. The State's climate goals and commission demand a fair system that is Hawaiʻi-appropriate to change behavior. Accommodations and analyses of such fairness need to be

[1]See Interagency Working Group 2016 Technical Support Document, Table 1: Social Cost of Carbon. These values are reflected in 2017 dollars per metric ton of CO2.
[2]See Environmental Defense Fund, 'The True Cost of Carbon Pollution' – How the Social Cost of Carbon Improves Policies to Address Climate Change.

explored more thoroughly. Many would say that the carbon tax as a whole should actually be revenue neutral, or closer to it, in order to change behavior and balance the naturally regressive nature of a carbon tax, but not adversely impact the economy.

- Understanding total net revenues – it seems plausible that this could be a very significant revenue source for the State and little has been presented to estimate how significant this revenue source could be and to what extent the tax credit and allocation to special funds offset the collection of revenues. In addition, it is not clear what the net impact is to individuals and businesses more explicitly. If, given the current State budget gap, it is determined that this tax should not be revenue neutral, but have some revenues go to the general fund, we recommend transparency in the expected percentage breakdown between special funds, the general fund, and amounts that go back to tax payers through credits or other methods.
- Clarifying eligible expenditures – it is commendable that additional moneys will be going into the energy security special fund. However, it is not clear that these moneys can be expended on supporting and expanding the lowest-carbon emitting transportation options (walking, biking, and transit). Additional clarification would be welcome since ground transportation carbon emissions have been rising since 1990, in contrast to trends in other sectors such as energy.

If these carbon tax measures move forward, we recommend that these points be considered more fully and Ulupono offers up a willingness to participate in a public-private partnership to help further consideration for these important questions.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

SUBJECT: INCOME, FUEL, Adoption of Carbon Tax, Income Tax Credit for Low Income Ratepayers

BILL NUMBER: HB 1319, HD1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Amends the environmental response, energy, and food security tax to address carbon emissions. Establishes a refundable tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Tax credit applies to taxable years beginning after 12/31/2021. Effective 7/1/2050.

SYNOPSIS: Adds a new section to chapter 235, HRS, granting a refundable tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers. The amount of the tax credit is unspecified:

Defines a qualified taxpayer eligible for the credit as a resident taxpayer with gross annual household income less than $_____for taxpayers single or married filing separately, $_____ for head of household, or $_____ for married filing jointly or surviving spouse,

Defines a qualifying child as a minor who resides with the taxpayer and is claimed as a dependent by the taxpayer.

Amends section 243-3.5, HRS, to rename the barrel tax the "environmental response, energy, carbon emissions, and food security tax." Raises the tax from $1.05 on each barrel or fractional part of a barrel of petroleum product to the following, which is said to correspond to $__ per metric ton of CO_2 emissions in 2020, and increase to $__ in 2030:

Product	2021	2024	2027	2030
Propane; Butane				
Gasoline				
Diesel				
Kerosene				
Aviation gas				
Jet fuel				
No. 6 Fuel oil				
Other				

For non-petroleum fossil fuels, the tax per one million BTU is increased from 19 cents to:

Product	2021	2024	2027	2030
Coal (all forms)				

Natural gas (including LNG)				

Replaces the existing earmarks of taxes per barrel with the following:

(1) ___ cents per barrel to the environmental response revolving fund;

(2) ___ cents per barrel to the energy security special fund;

(3) ___ cents per barrel to the energy systems development special fund;

(4) ___ cents per barrel to the agricultural development and food security special fund;

(5) ___ cents per barrel to the building energy efficiency revolving loan fund

(6) All taxes paid on gasoline or other aviation fuel sold for use in or used for airplanes to the airport revenue fund; and

(7) All taxes paid on gasoline, diesel, or other fuel sold for use in or used for small boats to the boating special fund.

The tax is grandfathered as to coal used to fulfill an existing power purchase agreement in effect as of June 30, 2015, but grandfathering protection will not apply to a different PPA or an extension of the existing one.

Makes technical and conforming amendments.

EFFECTIVE DATE: 7/1/2050. Tax credit applies to taxable years beginning after 12/31/2021.

STAFF COMMENTS: An economist from UHERO, the University of Hawaii Economic Research Organization, posted an analysis arguing that strong, decisive action such as a carbon tax is going to be needed if we are going to achieve the greenhouse gas goals. "But without any specifics as to how we are to achieve [greenhouse gas] reductions – through a carbon tax or otherwise – it is largely symbolic," she argues.

So what is a carbon tax? It is a tax imposed on the carbon content of different fuels. Typically, it is due and payable when the fuel is either extracted and placed into commerce, or when it is imported. At present, neither the U.S. federal government nor any U.S. state has enacted a carbon tax. The city of Boulder, Colorado, enacted one by referendum in 2006; it applies at the rate of $7 per metric ton of CO_2 and is imposed on electricity generation only. Several European Union countries, Japan, and South Africa have carbon taxes.

Presently, we have a liquid fuel tax (chapter 243, HRS). Like a carbon tax, the fuel tax is imposed upon import and entry into commerce. So, PFM Group, the consultant employed by the Hawaii Tax Review Commission, in its final report thought that the systems and processes we now have in place to collect fuel tax in Hawaii can be adapted to a carbon tax, and for that reason concluded that a carbon tax would entail "[l]ittle administrative burden." There are, however, several important differences between the two.

Both the county and state governments are given the power to impose fuel tax. This bill does not repeal the state fuel tax and does not affect the counties' power to impose fuel tax. Rather, the carbon tax is to replace the barrel tax which is now imposed at $1.05 per barrel of imported petroleum product and on other fossil fuels based on BTU equivalent.

The potential big losers will be the electric companies, because electric generation accounted for 6.8 million metric tons of CO2 that Hawaii produced in 2013 out of a total 18.3 million metric tons. However, the electric companies won't simply absorb the tax, but can be expected to pass on the enhanced costs to anyone who gets an electric bill.

Maybe it's good for lawmakers to worry about the end of the world as we know it, which perhaps will be staved off by the social change the tax encourages. But their constituents are worried not about the end of the world, but the end of next week. Will their paychecks be enough to pay the rent, keep the lights on, or feed the family? If the cost of simply driving to work from the suburbs is horrible now, just wait until the tax kicks in. This tax translates to an increase from 2.5 cents a gallon now to 19.5 cents a gallon once the bill, if enacted in the form introduced, takes effect. As introduced, the tax will further increase to $80 per metric ton in 2032 (not 2030, as the bill's preamble says), which translates to 54 cents per gallon of gasoline.

And if you think the hammer of a carbon tax will fall most heavily on huge, faceless corporations like the electric company, the airlines, or the shippers, think again. Businesses can and will pass on any enhanced costs to their consumers if they hope to continue providing their products or services. That means our already astronomical cost of living could head further up into the stratosphere.

Digested 2/13/2021

Hawaii Automobile Dealers' Association

John Uekawa, President
Dave Rolf, Executive Director

HADA Testimony with COMMENTS on HB1319 HD1
RELATING TO CARBON PRICING

Presented to the House Committee on Consumer Protection and Commerce at the Public Hearing 2 p.m. Tuesday, February 16, 2021 in Room 329
VIA VIDEO CONFERENCE
Hawaii State Capitol
by David H. Rolf for the members of the Hawaii Automobile Dealers Association

Chairs Johanson, Vice Chair Kitagawa and members of the committee:

HADA dealers offer comments only on this bill, with the note that Hawaii's dealers in the past have supported the concept of a barrel tax, and continue to support the concept.

Our dealers believe that this bill has merits for advancing more rapidly the desired renewable energy transition while providing significant revenues that would be gathered from a wide variety of sectors and that could be used to offset the unemployment insurance costs on businesses created by the COVID recession.

Many in Hawaii won't initially like this bill because it proposes a tax.

But it is one of the most well-crafted bills in this legislative session.

It's a barrel tax that would apply to by all entities that use fossil fuel. Diesel busses. The Electric Utility. Gasoline users. Natural gas users. And others.

It spreads the carbon cost around on many users.

While this House Draft 1 version of the bill now shows all amounts blanked out, we believe agreement on reasonable increases in the barrel tax on the many fossil fuels listed in the bill can be reached and the cost of transition to renewable energy in Hawaii will be spread across many sectors.

--continued on page 2--

The increase in the gasoline tax is what some national dealer industry leaders, including Michael Jackson, the CEO of AutoNation, the nation's largest auto retailer, have supported for years.

Several years ago, Jackson suggested raising the federal gas tax 10 cents a year and leaving it open, noting that Europe's gas princes, at the time, were in excess of $6-a-gallon.

GM's Bob Lutz, years ago, also called for a higher gas tax.

A $1 per gallon was called for, in the past, by GM's then CEO, Dan Akerson.

This bill includes tax rebates for lower and moderate income individuals to offset the increase in their monthly budgets. In the HD1 version, these have also been blanked out, but we believe an agreement on reasonable amounts can be reached in this session.

HADA provides comments only, while being generally supportive.

HADA is not ideologically opposed to gas taxes.

HADA supported the barrel tax idea before. Albeit the barrel tax increase at the time was a very small increase--only 2.5 cents a gallon, at the time. Reviewing this bill, one of our members expressed the thought that a smaller increase than the one originally proposed would be more appropriate, citing the economic difficulties many are facing right now. All HADA members, however, seeing the need to spread the costs of the COVID recovery over many sectors, while encouraging the transition to renewable energy, see merits in this bill.

Our dealers look forward to working with all in drafting the roadmap that is needed for all to see how the distance to a renewable energy goal can be covered in the shortest amount of time. Many factors are now coming into the marketplace that will foster a more rapid EV transition.

We thank you for the opportunity to comment on this measure.

Respectfully submitted,

David H. Rolf, on behalf of the dealer members of the Hawaii Automobile Dealers Association

68 new car dealerships, 4,383 direct jobs, $5.8 billion total sales, $269 million State Gross Excise Taxes paid

SIERRA CLUB OF HAWAIʻI

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

February 16, 2021 2:00 PM

with COMMENTS on HB1319 HD1: Relating to Carbon Pricing

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the committee,

On behalf of our 27,000 members and supporters, the Sierra Club of Hawaiʻi **offers comments on HB1319 HD1** to expand the state's current barrel tax to include all major forms of fossil fuels used in the Hawaiian Islands.

We agree that a price on carbon that is high enough to influence economic choices of businesses and individuals is a crucial element among many to solve for climate change. We also agree that Hawaiʻi must urgently get to work implementing these many, necessary solutions. We urge caution in this moment, however, so that we can address critical questions of equity, fairness, and balance at the outset and ensure an effective carbon pricing policy is adopted and sustained without triggering a host of unintended consequences.

We urge this committee to hold HB1319 until:

1. **Carbon Study is Released for Public Review**
   Act 122 (SLH 2019) appropriated funds for a two-year study on the options for implementing a local price on carbon. Because there are so many different potential approaches to a carbon pricing model, the findings of this study are extremely critical to adopting and sustaining a successful carbon price in the Hawaiian Islands. Policy-making on this matter should not proceed without a public assessment of this publicly funded study.

2. **Community Deliberation**
   Setting a price on carbon high enough to alter behavior will increase the cost of living in Hawaiʻi. For the 33% of Hawaiʻi residents who are asset limited, income constrained and employed (A.L.I.C.E.), a further increase in the price of basic necessities -- even with a tax rebate -- could be financially devastating. Genuine consultation with those disproportionately harmed by a policy shift like this helps to ensure we proactively

address challenges and that Hawaiʻi adopts bold climate policies that are fundamentally just and equitable.

As this conversation on this proposal progresses, we urge lawmakers to reflect on equity, fairness, and balance, in addition to the critical details of the price, timing, and implementation. For example:

Who should pay for the cost of climate change?
Considering major fossil fuel companies engaged in a 30-year public deception campaign that delayed and undermined the adoption of policies to stem climate change--while at the same time making absurd profits--it is reasonable to expect these companies to contribute their fair share toward the cost of addressing climate change at this last stage. Trade associations, states and municipalities in the U.S. and Canada, just like Honolulu and Kauaʻi, are turning to the courts to seek damages for the climate liability of fossil fuel corporations that engage in deceptive marketing practices. Hawaiʻi should follow their lead. It is not fair to adopt policies that lay the financial burdens of climate solutions solely on taxpayers and consumers.

What are the options for carbon neutral living?
Before adopting a pricing scheme designed to nudge businesses and individuals to more sustainable options, it is crucial to ensure that more sustainable options are widely available. The state needs to expand investment in clean energy and clean transportation options to ensure they are robust enough to meet the needs of residents.

Resources
A.L.I.C.E. Report 2020, Aloha United Way https://www.unitedforalice.org/Hawaii (highlights the challenges of climate uncertainty for ALICE households)

How to Set a Price on Carbon Pollution, Scientific American, June 1, 2020.
https://www.scientificamerican.com/article/how-to-set-a-price-on-carbon-pollution/

“How Carbon Pricing Can Further Environmental Justice,” Climate XChange, Nov. 15, 2019
https://climate-xchange.org/2019/11/15/how-carbon-pricing-can-further-environmental-justice-recap/

“How Exxon went from leader to skeptic on climate change research,” Los Angeles Times, Oct. 15, 2015 https://graphics.latimes.com/exxon-research/

“Our two biggest problems are climate change and income inequality. If we pit one against the other, neither will win,” Sierra Club Carbon Pricing Policy Guidance, 2016
https://www.sierraclub.org/sites/www.sierraclub.org/files/CarbonPricingGuidance.pdf

We are grateful to this Committee and the many climate champions in the House for advancing this important conversation. There is no doubt that a price on carbon must be established to effectively combat climate change. We look forward to working with legislators to ensure a just and equitable carbon pricing policy is adopted for Hawaiʻi and serves as a model for other jurisdictions seeking to do the same.

Thank you very much for this opportunity to provide comments on HB1319 HD1.

HB-1319-HD-1
Submitted on: 2/15/2021 11:27:53 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Climate Protectors Hawaii	Climate Protectors Hawaii	Support	No

Comments:

To: The Honorable Aaron Ling Johanson, Chair,

The Honorable Lisa Kitagawa, Vice Chair, and Members of the

House Committee on Consumer Protection and Commerce

From: Climate Protectors Coalition

Hearing Date: Tuesday, February 16, 2021, 2:00 pm

Position: STRONG SUPPORT of HB1319 HD1 RELATING TO CARBON PRICING!

Aloha Chair Johanson, Vice Chair Kitagawa, and Consumer Protection and Commerce Committee members:

The Climate Protectors Coalition is a group focused on reversing the climate crisis. As a tropical island State, Hawaii will be among the first places harmed by the global climate crisis, with more intense storms, loss of protective coral reefs, food insecurity, and rising sea levels destroying our shorelines. We must do all we can to reduce our carbon footprint and become at least carbon neutral as soon as possible. The planet faces an existential climate crisis and we must act now! Scientists have made clear that we are part of the last generation that can stop or at least mitigate the devastating impacts of climate change. If we are to solve the climate crisis, it will require **all of us** working together. Hawaii can and should be a leader in showing the world the way forward towards a safe and sustainable climate and future. The sooner we inspire others to take action and lead by example, the better off the future will be for our children.

ture will be for our children.

HB 1319 HD1 would help to move Hawaii toward carbon neutrality by increasing the tax on fossil fuels. The tax revenue would fund government programs, some of which are environmental programs.

The fossil fuel **tax aspect** of HB 1319 HD1 is worthy because:

- The tax will have the effect of increasing fossil fuel prices, which will shift people away from using fossil fuels.
- The tax will reduce the use of fossil fuels, which will reduce the emission of greenhouse gases.
- A carbon fee offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary to control climate change.
- In 2011-2012 when gas prices rose to almost $5 per gallon, people reduced their consumption of gasoline and bus ridership increased.
- 25 countries have a carbon tax.

However, the refundable **tax credit** aspect of HB 1319 HD1 is **insufficient.**

To mitigate the financial effects on people, the bill creates a refundable tax credit for people in different tax categories earning certain amounts or less. For the great majority of families, people in all income groups, the tax credit does not cover the tax burden. Working families and low-income families would be severely impacted. Equity concerns need to be addressed with amendment. Returning all of the tax revenue in equal shares to people would benefit the majority because their share would be greater than their tax burden. 3,500 U.S. economists, 45 Nobel Laureates in economics, and four former Chairs of the Federal Reserve have signed a statement in support of a carbon tax with all of the tax revenue returned to citizens in equal lump-sum payments.

In order to begin the move toward carbon neutrality, it is time to act by approving HB1319 HD1, with an amendment to ensure equity!

Mahalo for the opportunity to testify in **strong support** of this very important legislation.

Climate Protectors Coalition (by Ted Bohlen)

HB-1319-HD-1
Submitted on: 2/15/2021 1:15:44 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Gary Hoover	Faith Action for Community Equity	Support	No

Comments:

I support HB1319 HD1, but especially together with the amendments offered by the Environmental Justice Task Force of Faith Action for Community Equity.

Thank you for this opportunity to submit testimony.

Gary Hoover

Honolulu, Hawaii

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
February 16, 2021, 2:00 P.M.
Video Conference

TESTIMONY IN SUPPORT OF HB 1319 HD1

Aloha Chair Johanson, Vice Chair Kitagawa, and members of the Committee:

Blue Planet Foundation **supports HB 1319 HD1**, a measure establishing a price on climate-changing carbon emissions for Hawaiʻi while providing a tax credit to help mitigate the effect of the tax for local residents.

A smart carbon tax would serve as a critical policy tool to help Hawaiʻi "recover right" from the devastating economic impacts resulting from the COVID-19 pandemic. Most importantly, the revenue developed by pricing pollution can provide directed relief to local residents and families hit hardest from the economic downturn and resulting job losses caused by the pandemic.

The disruption wrought by the pandemic—at one time over 200,000 residents out of work and the state's main economic driver completely shut down—forces us to think differently and to reimagine what is possible for the state and our economy. How do we truly build an economy around the pillars of resiliency, equitability, and sustainability? How can we align our fiscal policy with our other vital public policy goals? How do we guide our recovery toward business growth that is efficient, innovative, and drives job growth? How do we build back better?

Done right, an aggressive price on carbon pollution—with a direct credit or rebate to residents—provides an answer to these questions. A properly crafted carbon pricing measure, such as HB 1319, can help Hawaiʻi prevail through this incredible challenge.

Most critically, this measure has the **potential to raise over $730 million annually** in new revenue while discouraging carbon pollution. Because of the recent plunge in oil prices, overall energy prices will remain below recent averages.

This measure provides an unparalleled opportunity to address a number of critical challenges facing Hawaiʻi at this moment. House Bill 1319 can help:

1. Raise sorely needed revenue to help make up the shortfall in the state budget;

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2. Provide directed relief to local residents and families who are hurting the most from the fallout of the pandemic;
3. Significantly reduce our climate-changing carbon emissions;
4. Develop funding to help Hawaii accelerate its transition to 100% clean energy and to adapt to the inevitable consequences of a changing climate; and
5. Position Hawaiʻi as a global leader.

The following testimony addresses each of these points.

A carbon tax is a prudent way to generate needed revenue—especially with extremely low oil prices

Few good options exist for state leaders to make up the current budget shortfall due to projected declines in tax revenues resulting from the impact of the pandemic. A properly designed carbon tax, however, can maximize social good without significantly impacting the cost of living. This is particularly true today given the dramatic decrease in fossil fuel prices.

The price of oil globally dropped significantly last year due to an oil price war between Saudi Arabia and Russia, and then because of crashing demand due to the pandemic. The average price of oil globally over the past decade was approximately $80 per barrel (Europe Brent Spot Price).[1] Current contracts for oil futures are trending between $50 and $60 per barrel as of February 7, 2021. **The average price of Brent oil futures contracts for the next five years is currently about 35% lower than the average oil price over the past decade.[2]**

With an approximate reduction in price of $25 per barrel into the near- and mid-term future, **Hawaiʻi residents, businesses, and visitors will be paying about $875 million less annually** at current conservative consumption rates of 35 million barrels per year in Hawaiʻi. Since the historical prices are not adjusted for inflation, the actual difference is greater.

A carbon tax of $40 per metric ton of carbon dioxide, as proposed in the original HB 1319, would equate to about $20.87 per barrel (based on approximately 0.417 metric tons of carbon dioxide per barrel for a typical mix of products). Such a tax would raise about $730 million in revenue based on current reduced consumption rates. What's remarkable, however, is that even with a $40 per metric ton carbon tax, the overall cost of oil and its products would likely be below the average prices over the past decade. **In other words, the price of gasoline and other petroleum products would roughly be the same as they have been historically, despite the proposed carbon pricing mechanism.**

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[1] DBEDT Monthly Energy Trends, January 2021 (http://dbedt.hawaii.gov/economic/energy-trends-2/).
[2] Crude oil Brent futures prices from Barchart.com (https://www.barchart.com/futures/quotes/CB*0/futures-prices); accessed February 7, 2021.

Carbon tax revenue can provide relief to those hit hardest economically from the pandemic

The ongoing COVID-19 public health crisis and related massive impact to the global economy will have lasting negative effects on Hawai‘i's residents—particularly working families. HB 1319 wisely provides a refundable tax credit to reduce or eliminate the additional tax bill that low- to middle-income residents may face through the carbon tax.

Blue Planet Foundation recognizes that a carbon tax—**if not designed correctly**—could disproportionately impact low- to moderate-income residents. Most low- to moderate-income households spend a larger percentage of their income on gasoline, other fuels, and electricity than do higher-income households. For example, in 2014, the wealthiest 20% of U.S. households spent just 2.7% of their after-tax income on gasoline; the percentage for the lowest quintile, 10.8%, was four times as high.[3] When viewed in absolute dollar terms, however, the bulk of carbon taxes will be paid, directly or indirectly, by households and visitors of above-average means. Researchers at the University of Hawai‘i at Manoa have found that the carbon intensity of visitor activities is much higher than those of residents. Regardless, a variety of mechanisms exist to reduce the regressive nature of a carbon tax, including increasing the state-level match of the Earned Income Tax Credit and making the match refundable, reducing existing taxes—particularly those that are disproportionately paid by lower income residents (such as the General Excise Tax on food and medicine), or providing a direct dividend or refund to residents.

While HB 1319 addresses the potential regressive nature of a carbon emissions tax by including a tax credit for low- to middle-income taxpayers, lawmakers may wish to consider a direct refund or another mechanism for Hawai‘i residents. A direct refund is the fastest way to put money in the hands of local residents and stimulate spending. It is also a tangible way to connect the value of the carbon price with behavior—this is a reward for making choices to reduce climate change.

Other jurisdictions have successfully implemented an effective carbon tax with a direct dividend to residents. For example, British Columbia currently has a carbon tax of $30 per metric ton ($40 CAD). The B.C. carbon tax started in 2008 at $7.50 per ton ($10 CAD) and has increased a number of times to its current level. British Columbia provides direct rebate checks to residents from a portion of the carbon tax revenues: the current "Climate Action Tax Credit" to $154.50 (CAD) per adult and $45.50 (CAD) per child. The B.C. government lowered the tax rate on the bottom two personal income tax brackets. Other revenues support clean energy programs and tax reductions elsewhere.

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[3] Bureau of Labor Statistics' Consumer Expenditure Survey, 2014 (http://www.bls.gov/cex/2014/combined/quintile.pdf)

A $40 per metric ton carbon tax—as proposed in the original HB 1319—will likely increase a typical resident's combined electricity, natural gas, and gasoline expense by about $15 to $30 dollars monthly—if no actions are taken to reduce current consumption. A household of four may see their total energy (electricity, natural gas, and gasoline) bill increase by around $40 to $60 monthly with the same tax. In the near- to mid-term, however, this increase will be offset by the reduction in the price of oil as compared with the past decade.

In addition to a direct refund or dividend, Blue Planet supports other approaches to reduce the regressive nature of a carbon tax and direct relief to Hawaiʻi residents and families. These could include a state-level match of the Earned Income Tax Credit (and making the match refundable), reducing existing taxes—particularly those that are disproportionately paid by lower income residents (such as the General Excise Tax on food and medicine), or a tax credit as proposed in the current version of HB 1319. We would be happy to work with the legislature on exploring these alternative approaches.

Pricing carbon is a powerful policy tool to slow climate change

Setting a significant price on carbon pollution is the single most effective action that the state can take to reduce its contribution to climate change and demonstrate clean energy leadership.

Climate change will have devastating, long-term consequences on Hawaiʻi's environment, economy, and quality of life. For these reasons and others, the State of Hawaiʻi has committed to a decisive and irreversible transition away from fossil fuels, and a swift transition to a clean energy economy powered by one hundred percent renewable energy. The legislature has passed aggressive carbon reduction goals, including the goal to be net carbon neutral by 2045 (Act 15 of 2018) and strive to achieve the objectives of the Paris Climate Agreement (Act 32 of 2017). Setting these bold targets is important, but alone it is insufficient. Despite a growing portfolio of standards, incentives, and targets, Hawaiʻi's current policies will not succeed in significantly reducing Hawaiʻi's current overall carbon emissions over the next few decades.

Best-case *Hawaiʻi greenhouse gas emissions trend with current state policies*

Pricing carbon emissions via a tax on fossil fuels has emerged as a broadly supported, economically efficient, and effective policy tool to reduce climate-changing carbon emissions. Economists and leaders from across the political spectrum—including Nobel-prize winning economists, four former chairs of the U.S. Federal Reserve, and 15 former chairs of the U.S. Council of Economic Advisers—have endorsed a carbon tax as a necessary market-based solution to our climate challenge. In fact, over 3500 economists signed a statement last year in the Wall Street Journal—the largest public statement of economists in history—calling for a carbon tax (please see the last page of this testimony)[4]. Locally, economist Paul Brewbaker was quoted in the *Honolulu Star-Advertiser* last year expressing strong support for a carbon tax:

> *"The optimal mix of lower atmospheric carbon-loading and higher atmospheric carbon-sequestration never will be revealed as long as carbon is costless to emit and unremunerative to sequester. For that you need an actual price, not omniscience. We need a market for atmospheric carbon in which you pay to emit (and to guide carbon taxation) and in which you get paid to sequester."*[5]

Currently, ***the prices of electricity, gasoline, and other fuels reflect little or none of the long-term costs from climate change or even the near-term health costs of burning fossil fuels***. This immense "market failure" suppresses incentives to develop and deploy carbon-reducing measures such as energy efficiency, renewable energy, low-carbon fuels, and conservation-based behavior such as bicycling, recycling, and overall mindfulness toward energy consumption. Taxing fuels according to their carbon content will infuse these incentives at every link in the chain of decision and action—from individuals' choices and uses of vehicles, appliances, and housing, to businesses' choices of product design, capital investment, and facilities. A carbon tax is an implementation of the "polluter pays principle," where those who cause the impact or damage are responsible for the costs they create.

Enacting a carbon tax is key this session to help guard against increased fossil fuel usage due to this recent—and likely prolonged—drop in global oil prices. Customers tend to use more electricity and gasoline when the prices for these commodities are lower.[6] This trend is seen among Hawai'i drivers as the price of gasoline drops. What's more, customers tend to buy larger, less fuel-efficient vehicles when they perceive that the price of gasoline will remain low. This could exacerbate a trend we are already seeing in Hawai'i toward larger vehicles. According to the Hawai'i Auto Dealers Association, pickup trucks and sport utility vehicles accounted for 69.2% of Hawai'i vehicle sales in 2019, an increase from 48.7% in 2012.[7]

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[4] Greenspan, A., et. al. (2019, January 16). Economists' Statement on Carbon Dividends. *The Wall Street Journal*.
[5] O'Connell, Maureen. (2020, February 7). Paul Brewbaker: The economist speaks plainly about challenges facing Hawaii — and how to manage them. *Honolulu Star-Advertiser.*
[6] Wadud, Z., Graham, D. J., & Noland, R. B. (2009). Modelling fuel demand for different socio-economic groups. *Applied Energy, 86(12)*, 2740-2749.
[7] "Hawaii Dealer," Hawaii Auto Dealers Association, 2020 Spring Edition (https://issuu.com/traveler-media/docs/hawaiidealer_2020_spring_edition).

But this measure is much more than an effective climate policy. It is a tool to shape choices—both macro and micro—in alignment with our preferred future. It will spur efficiency, foster innovation, and generate new job opportunities. This isn't speculation—this is exactly what British Columbia found after they adopted their carbon tax over a decade ago.

Remarkably, the B.C. business community—who was initially opposed to the tax—supported expansion of the tax during the last review. According to the B.C. government, between 2007 and 2016, B.C.'s real GDP grew by 19%, while net emissions declined by 3.7%.[8] British Columbia's business leaders also noticed that the province's economic growth outperformed the rest of the country. Clean energy and clean tech jobs flourished, and energy efficiency increased across the province. The carbon tax also secured B.C. as a location that is proactive in addressing climate change, which helped to attract new companies and employee talent to the region.[9] Business leaders also appreciated that the carbon tax was a predictable, market-friendly approach to reducing emissions, which they found superior to direct regulatory approaches.

Carbon tax revenue can help accelerate Hawai‘i’s transition to 100% clean energy

Blue Planet strongly supports the use of a portion of the carbon tax revenue to be used for programs and incentives that accelerate Hawai‘i’s clean energy transition. It makes good sense to tap the source of our problem—imported fossil fuels—to help fund clean energy solutions. While there are numerous funding needs, we believe that the following three uses of the carbon tax revenue have the highest impact and can help us make an equitable transition to 100% clean energy.

- **Clean energy job training, career building, and education**
  With too many Hawai‘i residents currently unemployed, Hawai‘i urgently needs to support meaningful ways to put people back to work. But our focus should be on building the future we aspire to, not simply reconstructing the past. Clean energy is Hawai‘i's future, and as we move away from imported fossil fuel, we trade those fuel expenses for equipment and labor. Achieving Hawai‘i's clean energy and climate goals will require tens of thousands of new jobs—and skilled workers to fill them. A portion of the revenue from the carbon tax should be dedicated to funding clean energy trades training and education (such as renewable energy development, efficiency retrofit skills, electric vehicle conversion and maintenance, etc.) and climate work skills building. Revenues could be directed to programs at the community colleges or universities, service and apprenticeship programs, or grants to companies who seek to transition some of their workforce. We need to build pathways to good paying jobs in the clean energy and climate sector, and revenues from the carbon tax should support that.

[8] Government of British Columbia, Canada. "British Columbia's Carbon Tax." (https://www2.gov.bc.ca/gov/content/environment/climate-change/planning-and-action/carbon-tax)
[9] https://www.bcsea.org/bc-businesses-support-stronger-carbon-tax

- **Incentives for reducing transportation carbon emissions**
  As mentioned earlier, Hawai‘i is failing to make substantial progress on reducing carbon emissions statewide. The most significant factor in the slow progress has been the transportation sector—particularly ground transportation. Overall carbon emissions for ground transportation statewide is up 10% over the past decade, and gasoline consumption increased in 2019 over 2018 levels. Electric vehicles (EVs) are far more efficient than their gasoline counterparts, plus they can be powered by renewable energy (which is increasing annually on Hawai‘i’s grids). Blue Planet supports two proven approaches to increasing EV adoption:
    1. *EV purchase incentives.* Unfortunately, unlike other states, Hawai‘i currently lacks any tax credits or monetary incentives to encourage the adoption of clean electric vehicles. A tax credit or rebate of $2500 or more per EV—funded through carbon tax revenues—would help nudge more car buyers to purchase an EV over a gasoline-powered car. This credit or rebate could be targeted to EVs below a certain price ($40,000) to ensure that they are focused on the primary car market instead of the luxury market.
    2. *EV charging infrastructure incentives.* Beyond a direct incentive for the purchase of EVs, expanding the availability of EV charging infrastructure would foster greater adoption of EVs. The International Energy Agency has found that “the availability of chargers emerged as one of the key factors for contributing to the market penetration of EVs.” They also found that more than 80% of EV drivers charge their cars at home or at work. In addition, a large share of the Hawai‘i population lives in high density, multi-unit residential buildings. The vast majority of parking facilities currently lack EV chargers, discouraging residents from purchasing an EV over fears that they won’t be able to adequately charge it. Using a portion of the carbon tax revenues to support a direct rebate program for the installation of EV charging infrastructure would encourage the adoption of clean electric vehicles.

- **Supporting the economically disadvantaged through the existing Green Energy Market Securitization (GEMS) loan program**
  The GEMS loan program was developed as a way to fill underserved gaps and lower the cost of clean energy financing. Moreover, the program has been pointed squarely at addressing the needs of low-income and moderate-income energy customers—nearly 80% of the energy upgrades financed by GEMS have been provided for the benefit of low-income and middle-income consumers. Funding the GEMS program with a portion of the carbon tax revenues would further leverage direct investments in reducing our fossil fuel use. What’s more, the funds will largely be used to assist low- and moderate-income residents, reducing the cost of living for those who are struggling the most. Using a portion of the carbon tax revenue this way would strengthen and expand Hawai‘i's ability to help us all move together toward 100% clean energy.

Adopting a smart carbon tax with directed relief would further position Hawaiʻi as a global climate leader

Hawaiʻi has emerged as a leader on clean energy policy, adopting a number of bold, first-in-the-nation targets that have helped inspire other states to take similar action. Hawaiʻi was the first state in the country to adopt a 100% renewable energy requirement for electricity by 2045 (Act 97 of 2015), and California adopted a similar law in 2018. Today, over six states and territories have adopted similar targets. Similarly, Hawaiʻi was the first state in the nation to commit to the Paris Climate Agreement objectives after the White House decided to pull out of the agreement. Further, Hawaiʻi has pledged to achieve carbon neutrality by 2045 (Act 15 of 2018), another first in the nation. Other states and other countries globally are looking to Hawaiʻi's lead on clean energy and climate policy solutions.

Despite the broad support and clear advantages of a carbon tax, no U.S. state has adopted such a policy. Hawaiʻi has the opportunity to be a national leader by establishing an effective, meaningful price on carbon and wisely using a portion of the funds for directed relief for the economically disadvantaged and programs that accelerate our transition to 100% clean energy. The precedent that Hawaiʻi sets with a carbon tax can help to inspire this critical solution across the country—and the globe.

We urge this committee to advance HB 1319 for further discussion.

Thank you for the opportunity to testify.

ECONOMISTS' STATEMENT ON CARBON DIVIDENDS

The Largest Public Statement of Economists in History

As appeared in

THE WALL STREET JOURNAL.

THURSDAY, JANUARY 17, 2019

Global climate change is a serious problem calling for immediate national action. Guided by sound economic principles, we are united in the following policy recommendations.

I. A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.

II. A carbon tax should increase every year until emissions reductions goals are met and be revenue neutral to avoid debates over the size of government. A consistently rising carbon price will encourage technological innovation and large-scale infrastructure development. It will also accelerate the diffusion of carbon-efficient goods and services.

III. A sufficiently robust and gradually rising carbon tax will replace the need for various carbon regulations that are less efficient. Substituting a price signal for cumbersome regulations will promote economic growth and provide the regulatory certainty companies need for long-term investment in clean-energy alternatives.

IV. To prevent carbon leakage and to protect U.S. competitiveness, a border carbon adjustment system should be established. This system would enhance the competitiveness of American firms that are more energy-efficient than their global competitors. It would also create an incentive for other nations to adopt similar carbon pricing.

V. To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates. The majority of American families, including the most vulnerable, will benefit financially by receiving more in "carbon dividends" than they pay in increased energy prices.

SIGNATORIES INCLUDE

3558 **U.S. Economists**

4 **Former Chairs of the Federal Reserve (All)**

27 **Nobel Laureate Economists**

15 **Former Chairs of the Council of Economic Advisers**

HB-1319-HD-1
Submitted on: 2/15/2021 3:12:34 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ronald Reilly	Hawaii Island Chapter - Citizens' Climate Lobby	Support	No

Comments:

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

Thank you for hearing HB1319. I respectfully urge your support for this legislation.

Members of Citizens' Climate Lobby work diligently to secure bipartisan, federal legislation for carbon-fee-and-dividend pollution pricing, which is seen by Treasury Secretary Janet Yellen as the single most effective means to reduce US carbon emissions in accordance with the Paris Climate Agreements. Hawaii must do its share.

We strongly support HB1319 as a significant statewide measure and suggest a friendly ammendment that would **return all collected revenues to local Hawaii households in the form of a monthly payment; check, direct bank deposit or debit card.**

We believe Hawaii carbon-pricing legislation will send a strong message to the US Congress that they too should pass carbon-pricing legislation such as the Energy Innovation and Carbon Dividend Act that is expected to be introduced early this session.

The continuing extremes of the climate crisis demand courage and bold action.

Thank you, Ron Reilly, Co-Lead Hawaii Island Chapter - Citizens' Climate Lobby

Airlines for America®

We Connect the World

February 16, 2021

Committee on Consumer Protection and Commerce
Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair
State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: Federal preemption issues in HB 1319

Dear Chair Johnson and Vice-Chair Kitagawa:

As your Committee continues the important task of considering legislative responses to the challenges posed by emissions contributing to climate change, we want to take this opportunity to highlight the U.S. airlines' strong record in this regard. While states are precluded from imposing carbon taxes, emissions trading systems and other emissions measures on aircraft fuel and aircraft, we also note that additional carbon regulation of the airlines and their fuel is unnecessary given our industry's commitments to climate action and federal law and international agreements already addressing aircraft greenhouse gas (GHG) emissions.

Airlines for America (A4A) is the principal trade and service organization of the U.S. airline industry.[1] As the record of the A4A carriers demonstrates, we take our role in GHG emissions very seriously. Indeed, the U.S. airlines have a tremendous fuel and GHG emissions record, accounting for only 2 percent of the nation's GHG emissions inventory while driving 5 percent of GDP, over 10 million U.S. jobs and $1.5 trillion in economic activity. In fact, U.S. airlines have improved their fuel efficiency over 135 percent since 1978, saving over 5 billion metric tons of carbon dioxide (CO_2) – equivalent to taking more than 27 million cars off the road on average in *each* of those years. Taking a more recent snapshot, data from the Bureau of Transportation Statistics confirms that the U.S. airlines improved their fuel- and CO_2-emissions efficiency by 40 percent between 2000 and 2019.

These numbers are not happenstance. As an industry, we have achieved this record by driving and deploying technology, operations and infrastructure advances to provide safe and vital air transport as efficiently as possible within the constraints of our air traffic management system. Indeed, for the past several decades, airlines have dramatically improved fuel efficiency and reduced CO_2 emissions by investing billions in fuel-saving aircraft and engines, innovative technologies like winglets (which improve aerodynamics), and cutting-edge route-optimization

[1] The members of the association are Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Airlines Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

software. But, despite our strong record to date, A4A and our member airlines are not stopping there.

Since 2009, A4A and our members have been active participants in a global aviation coalition that committed to 1.5 percent annual average fuel efficiency improvements through 2020, with goals to achieve carbon-neutral growth beginning in 2020 and a 50 percent net reduction in CO_2 emissions in 2050, relative to 2005 levels.[2] The initiatives the U.S. airlines are undertaking to further reduce GHG emissions are designed to limit responsibly and effectively their fuel consumption, GHG contribution and potential climate change impacts while allowing commercial aviation to continue to serve as a key contributor to the U.S., state, and local economies as our nation works to recover from the devastating COVID-19 crisis.

Our members are keenly focused on technology, operations, infrastructure and sustainable aviation fuel (SAF) advances to achieve additional emissions reductions. For example, the U.S. airlines are partnering to modernize the air traffic management system and to reinvigorate research and development in aviation environmental technology. In addition, we are dedicated to deploying commercially viable SAF, which could further reduce aviation's GHG emissions while enhancing U.S. energy independence and security. In fact, A4A is a founding member of the Commercial Aviation Alternative Fuels Initiative® (CAAFI), a public-private partnership with the Federal Aviation Administration (FAA) and other stakeholders that is working to ensure the development and deployment of SAF.[3] Having helped lay the necessary technical groundwork, A4A members have been using SAF regularly on commercial flights since 2016.

Further, our global aviation coalition supported an agreement reached in 2016 at the International Civil Aviation Organization (ICAO), the standard-setting body for international aviation, for the development of an international carbon offsetting system (known as the Carbon Offsetting and Reduction Scheme for International Aviation or "CORSIA") to "fill the gap" should concerted industry and government investments in technology, operations and infrastructure measures otherwise not allow us to achieve our goal of carbon-neutral growth starting in 2020. Importantly, the U.S. is implementing the CORSIA agreement, which commenced with emissions monitoring, reporting and verification requirements in 2019 to support the emissions offsetting obligation that went into effect earlier this year (i.e., on January 1, 2021).

Our industry also supported another agreement reached at ICAO in 2016 for a CO_2 certification standard for future aircraft, as it will further support our global aviation coalition's emissions goals, along with other technology, operations and infrastructure initiatives. The U.S. Environmental Protection Agency (EPA) and FAA, who participate directly in the ICAO emissions standard-setting process and led much of the work as that standard was developed, recently adopted the standard into U.S. law with the internationally agreed dates of 2020 for new-type design aircraft, 2023 for newly manufactured in-production aircraft types, and 2028 as an absolute production cutoff for unique and exceptional types.[4]

Commercial aircraft cross state (and national) borders and, therefore, cannot be subject to overlapping or conflicting state and local requirements, federal law preempts state and local government regulation of aircraft emissions and the content of and emissions related to

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[2] *See* A4A, "A4A's Climate Change Commitment," available at https://www.airlines.org/a4as-climate-change-commitment/; A4A, "Airlines Fly Green," available at https://www.airlines.org/airlines-fly-green/; *see also* Air Transport Action Group, "Climate Change," available at https://www.atag.org/our-activities/climate-change.html.

[3] For more on CAAFI, see http://caafi.org/.

[4] *See* 86 Fed. Reg. 2136 (Jan. 11, 2021).

commercial jet fuel.[5] Thus, notwithstanding the provision directing that all revenue stemming from the carbon emissions tax on aviation fuel be deposited in the airport revenue fund, the State of Hawaii would be precluded from adopting legislation of this nature. However, as your Committee and other Committees consider the legislation in the coming days, we urge you to consider the federal provisions addressing aviation GHG emissions, our industry's continual drive for greater fuel efficiency and our commitments for further GHG emissions reduction.

Thank you for your consideration.

Sincerely,

Sean Williams
VP. State and Local Government Affairs
swilliams@airlines.org

[5] Federal preemption is established both under the federal Clean Air Act (CAA) and federal aviation law. For example, Section 233 of the CAA explicitly preempts states and their political subdivisions from "adopt[ing] or attempt[ing] to enforce any standard respecting emissions of any air pollution from any aircraft or engine thereof unless such standard is identical to a standard" established by EPA. 42 U.S.C. § 7573. Further, courts have long held that the Federal Aviation Act of 1958 creates a "uniform and exclusive system of federal regulation" of aircraft that preempts state and local regulation. *Burbank v. Lockheed Air Terminal, Inc.*, 411 U.S. 624, 639 (1973); see also *American Airlines v. Department of Transp*., 202 F.3d 788, 801 (5th Cir. 2000) (aviation regulation is an area where "[f]ederal control is intensive and exclusive") (quoting *Northwest Airlines, Inc. v. Minnesota*, 322 U.S. 292, 303 (1944)). This pervasive federal regulatory scheme extends not only to aircraft in flight, but also to aircraft-related operations on the ground. In addition, the Airline Deregulation Act precludes states from "enact[ing] or enforc[ing] a law, regulation, or other provision having the force and effect of law related to a price, route or service." 49 U.S.C. § 41713(b)(1).

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

RETAIL MERCHANTS OF HAWAII

TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 16, 2021
Re: HB 1319 HD1 Relating to Carbon Pricing

Good afternoon Chairperson Johanson and members of the House Committee on Consumer Protection & Commerce. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership represents small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We are **STRONGLY OPPOSED** to HB 1319 HD1 Relating to Carbon Pricing. This measure amends the environmental response, energy, and food security tax to address carbon emissions; establishes a refundable tax credit to mitigate the effect of a carbon emissions tax on taxpayers; tax credit applies to taxable years beginning after 12/31/2021; and is effective 7/1/2050.

Retailers continue to be concerned about our aina and have supported many initiatives that preserve and protect our environment. However, this added cost of doing business in Hawaii is something our struggling industry cannot afford.

Retail has been one of the hardest hit industries in the state due to the pandemic. We just cannot afford anymore operational cost increases.

We also want to point out that since last March, many retailers were forced to lay-off staff due to shutdowns. While some have returned to work, others have not been called back and many stores are short staffed. Other are not able to open as their customer base, the visitors to Hawaii have not fully returned.

The 3rd Commercial Lease Rent survey from data collected between December 1 and 31, 2020 revealed:

- One in 10 Hawaii businesses permanently closed over the course of the pandemic, and 67 percent were impacted significantly by government restrictions.
- From April through December 2020, 50 percent of businesses did not pay their rent in full.
- Three in 10 businesses expected to miss three full rent payments between October and December 2020, and more than half expected to miss at least one full rent payment between January and June 2021.
- Tourism accounts for at least one-quarter of the overall revenue of 37 percent of Hawaii businesses.
- 86 percent of businesses saw their annual revenue decrease in 2020, and 82 percent expect a decrease in 2021 as well.

Furthermore, retailers have also taken pay cuts and streamline their operations to keep their doors open and as many of their employees employed. For many retailers, they have seen a 70% decrease in their revenue in 2020 and are operating at 50% capacity to include the total number of customers and employees in the store at any given time. We have also had to endure an almost 50% increase in shipping to and from our neighbor islands and goods and services have increased in price as well.

The increase incurred with measurers like this would be passed on to the customer and businesses – especially the smaller local businesses – who will not be able to absorb this additional cost. As a result, the cost of living in Hawaii will increase and customers will turn to other online vendors who do not have Hawaii ties. More stores will close and more of our friends, family and neighbors will no longer be employed.

Ever week we see more and more retailers shutting their doors for good because they can no longer afford to do business in Hawaii. We ask that you hold this bill to help businesses recover and survive the affect this pandemic is having on our industry.

Mahalo again for this opportunity to testify.

3610 Waialae Ave • Honolulu, HI 96816 (808) 592-4200 tyamaki@rmhawaii.org

HB-1319-HD-1
Submitted on: 2/13/2021 11:13:00 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark A. Koppel	Individual	Oppose	No

Comments:

TESTIMONY IN OPPOSITION TO HB1319 HD1

from Mark A. Koppel

Umauma, HI

Aloha Honorable Committee Members,

I am writing in opposition to HB1319, about carbon taxes, etc.

The answer to too much CO2 is not taxation or credits or transfers. These do little if nothing.

The answer for Hawaii is SOLAR ENERGY. This means the State and HELCO must get aboard.

IT MEANS YOU PEOPLE MUST STOP SUPPORTING CO2 SUPER-EMITTER HU HONUA. now.

WE ARE WATCHING.

Mahalo!!!!!!

Mark Koppel

HB-1319-HD-1
Submitted on: 2/13/2021 12:50:32 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

My name is John Kawamoto, and I support HB 1319 HD 1 with amendments.

Climate change is accelerating, and in the several years before the Covid-19 pandemic, Hawaii's consumption of fossil fuels had not declined. Hawaii must do much more to control climate change.

The carbon tax is worthy because if the tax is increased to an appropriate level it will substantially reduce the consumption of fossil fuels. That is basic economics.

The bill makes an effort to mitigate the tax burden, which is commendable. However, instead of using tax credits, all of the revenue from the tax should be distributed to people. That would be consistent with a model endorsed by more than 3,500 U.S. economists, 28 Nobel Laureate Economists, and four former Chairs of the Federal Reserve. In a signed statement, they assert the following:

To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates.

According to Section 1 of the bill, the price of carbon emissions should be set in the range of $40 per metric ton of carbon dioxide emissions in 2020 and increase to a price of $80 by 2030. Those dates should be moved back to start in 2022 and end in 2032.

This bill will work with existing efforts to control climate change, along with other bills passed by the Legislature. I urge the committee to pass this bill with the suggested amendments for the sake of our children, their children, and their children so that they have a chance to live in a clean and healthy environment.

HB-1319-HD-1
Submitted on: 2/13/2021 4:59:46 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Hilary Parkinson	Individual	Support	No

Comments:

I strongly support HB1319 HD1. We need a carbon tax to curb fossil fuel use and Hawaii could be the model for the rest of the nation to follow. Mitigating the effects of the tax burden through a dividend is needed to reduce adverse financial impact on Hawaii residents.

thanks,

Hilary Parkinson

HB-1319-HD-1
Submitted on: 2/13/2021 5:42:05 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Millicent Cox	Individual	Support	No

Comments:

Aloha Members of the Legislature,

I am writing to support HB1319, relating to carbon pricing. I strongly suggest that you amend the bill to return the tax collected to residents of the state of Hawaii to enhance the encouragement to reduce the use of carbon based fuels.

Mahalo for hearing my concerns.

HB-1319-HD-1
Submitted on: 2/13/2021 6:42:30 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Soo San Takiguchi	Individual	Support	No

Comments:

I strongly support HB 1319 because a refundable carbon tax would greatly reduce Hawaii's carbon emissions with limited economic repercussions. Climate change is an urgent threat to all Hawaii residents and action needs to be taken now to mitigate the harmful effects. Please vote yes on HB 1319 to create a cleaner environment and safer future for Hawaii.

Mahalo,

HB-1319-HD-1
Submitted on: 2/13/2021 9:42:21 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Raelyn Reyno Yeomans	Individual	Support	No

Comments:

Aloha-

I am in support of a carbon tax. I am in agreement with the testimony of Faith Action For Community Equity and their suggested amendments to rebate the additional tax revenues through direct payments. Thank you-

Raelyn Reyno Yeomans

HB-1319-HD-1
Submitted on: 2/14/2021 10:51:16 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Virginia Tincher	Individual	Support	No

Comments:

Thank you for considering HB 1319. Pricing carbon is a foundational step towards reducing emissions. Amending the bill to return all of procedes to Hawaiian resident is an important part of supporting Hawaiians as they transition towards clean energy and energy efficiency and a stimulus the Hawaiian economy needs now. It's a win-win.

I support the testimoney provided by Faith Action. They present an effective roadmap for pricing emissions and returning rebates to Hawaii taxpayers by the Department of Taxation, just as Federal Stimulus Checks were sent to U.S. taxpayers by the Internal Revenue Service.

HB-1319-HD-1
Submitted on: 2/14/2021 2:27:35 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Conner Higashino	Individual	Support	No

Comments:

A carbon tax is one of our best tools in mitigating emissions. A carbon tax can also help to bridge the income gap in the form of tax credits returning to Hawaii's residents. I hope that a significant amount of the income from this carbon tax can return to residents, targetic those with lower income.

HB-1319-HD-1
Submitted on: 2/14/2021 8:17:00 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Noel Morin	Individual	Support	No

Comments:

14FEB2021

Dear Chair Johanson, Vice-Chair Kitagawa, and Consumer Protection and Commerce Committee members,

I am in **SUPPORT** of HB1319 HD1, with amendments.

Carbon pricing is globally recognized as an effective way to dramatically reduce greenhouse gas emissions. It has the broad support of economists and has been demonstrated to be effective in other countries (25 have implemented carbon taxes). When introduced in a gradually increasing manner and combined with correspondingly increasing rebates to residents, a carbon tax will allow for a dramatic reduction in emissions while allowing households to accommodate the increasing cost of fossil fuels and fossil fuel-intensive products. Importantly, it will shift consumer demand to less clean, less-costly alternatives.

May the Transition be Socially Just

We are in challenging times and many of our households have been and will continue to be negatively impacted by the pandemic. With close to 60% of our families struggling economically (per the United Way's 2020 ALICE report), price increases for energy and fuel may be untenable for many. We can mitigate this economic hardship by returning all of the carbon tax revenue collected to Hawaii's residents and in a manner that is timely and without friction. Working families and those in the low-income bracket will experience the impact of increased costs as soon as the carbon tax is introduced and cannot afford to wait over a year for a tax credit. Importantly, the fixed tax credit proposed in HB1319 will not be sufficient to address the economic burden introduced and this burden will only increase as the carbon tax is raised over time.

Please consider:

- implementing mechanisms that allow for more frequent distributions (monthly or quarterly checks or deposits, for instance),

- shifting the distribution from a tax credit to one where all of the revenue is rebated to households, and
- increasing the amount of the rebate to compensate for the rate of increase of the tax over time.

These would ensure that the transition to a clean energy future is just and that our people with less financial means are able to adapt to the increasing cost of fossil fuels and fossil fuel-intensive products that would be brought about by the carbon tax.

Replace or Augment?

HB 1319 HD1 suggests a replacement of the barrel tax with a carbon tax (p5 lines 2-9).

"The current tax rates per barrel and per million British thermal units of fossil fuels should be replaced with a tax table that reflects the quantity of carbon dioxide emission produced per barrel..."

It's unclear if this replacement will result in the expected increase in the price of fossil fuel. Of course, this will depend on the actual carbon fee. Please ensure that the final pricing schedule results in a net increase in the tax on fossil fuels.

Thank you for your focus on our environment and your efforts towards securing a livable world. Our kids, grandkids, and future generations are depending on us to mitigate planet-destroying greenhouse gas emissions and to ensure that we're prepared for the inevitable consequences of the climate crisis.

Sincerely,

Noel Morin

Hawaii Island Chapter, Citizens' Climate Lobby Co-Lead

Hawaii Island Chapter, Citizens' Climate Lobby is part of a Citizens' Climate Lobby, a 180,000+ national organization that advocates for meaningful national climate policy, including carbon pricing bills such as the Energy Innovation and Carbon Dividend Act.

HB-1319-HD-1
Submitted on: 2/15/2021 2:50:54 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Best	Individual	Support	No

Comments:

Carbon fee with cash back to residents has features that should have support. Certainly it will help with climate change and the dividend to citizens will help them deal with increased costs. Please pass this!

Mahalo

HB-1319-HD-1
Submitted on: 2/15/2021 3:08:27 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Brandt	Individual	Support	No

Comments:

Support with amendments recommended by the "Carbon Cashback" committee of the Environmental Justice Task Force of Faith Action for Community Equity (FACE).

HB-1319-HD-1
Submitted on: 2/15/2021 7:52:00 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Morgan	Individual	Support	No

Comments:

I support HB1319 HD1 with amendments that return all of the tax revenue to those filing for Hawaii income tax through equal lump-sum rebates.

HB-1319-HD-1
Submitted on: 2/15/2021 9:11:12 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Toby S Hazel	Individual	Support	No

Comments:

Please pass this bill and return all tax funds to Hawaii residents.

Aloha Chair Johanson, Vice Chair Kitagawa, and Members of the Consumer Protection and Commerce Committee:

I am submitting testimony in **strong support** of HB 1319 **with amendments**. Based on extensive economic analysis, I strongly support the broad policy framework of imposing a tax on carbon and returning money to people as a way to equitably reduce greenhouse gas emissions.

Numerous studies show such a policy to be the most economically efficient and equitable policy. To reduce our emissions, we will need to change our behavior. Doing so will initially come with costs. A carbon tax though is the least costly way to bring about these needed changes in behavior. In addition, a carbon tax allows people to figure out what changes make the most sense for them given their individual circumstances, which is better than a one size fits all approach. Furthermore, a carbon tax affects all activities equally without picking winners and loser, and because of its comprehensiveness, it eliminates the need to develop a policy for each sector of the economy.

So as not to take away revenues from existing recipients of the current barrel tax, I suggest making this policy additive. That is, make the carbon tax an additional charge to the current barrel tax so for example, the tax on gasoline would increase by $40/MT CO2 (equivalent to $14.94/barrel) from $1.05/barrel to $15.99/barrel.

To make sure the bill is progressive, revenues must be returned in equal shares to all eligible recipients. That is, the revenue a person receives should be independent of income unless the final bill includes an income threshold; in which case, people above the income threshold receive no money and all below the threshold receive the same amount.

To ensure that on average low income households are made whole, the total amount of the tax revenues rebated to people should be proportional to the population that qualifies. For example, if the bill aims to return money to 80% of the population, then 80% of the revenues should be returned to people in equal shares.

Mahalo for your attention to my requests and points.

Kind regards,
Paul Bernstein, PhD.

HB-1319-HD-1
Submitted on: 2/15/2021 10:46:13 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Gorman-Chang	Individual	Support	No

Comments:

Mahalo Chair Johanson, Vice Chair Kitagawa and the members of the Committee on Consumer Protection & Commerce for hearing HB 1319. Hawaii can lead the way for a carbon tax, just as we led the way by being the first state to set a goal of 100% renewable energy by 2045. More than a dozen states followed suit, as well as Puerto Rico and Washington D.C.

Putting a tax on carbon will serve as a behavioral nudge for consumers to get people to change their energy consumption habits. For example, statistics from the Department of Business, Economic Development and Tourism Hawaii reveal that when gas prices increased to nearly $5 a gallon here in 2011/2012, that bus ridership also increased by the same trajectory. Thus, price does drive consumer behavior.

Just as important, Hawaii is also the state of Aloha, and caring for each other is part of our culture. The Covid-19 epidemic and subsequent economic collapse has hit most folks in Hawaii hard, and giving this carbon tax money back to people would ease some of that economic pain. I would like to see the carbon tax proposed in HB 1319 be returned *entirely* to Hawaii residents either through a tax credit or better yet a direct payment. A direct payment in the same year fossil fuel interests pass the costs onto consumers would allow households to offset these costs immediately rather than waiting until they file their tax return in the following year.

In addition, since in HB 1319 the carbon tax increases each year, I would like to see the direct payment or tax credit increase each year, so that the additional costs passed through by fossil fuel companies does not hurt our Hawaii residents, especially those in the lower income brackets.

Mahalo for HB 1319 which is putting a price on carbon. This will cause a decrease in the use of fossil fuels and thus we can do our part to mitigate global warming. Those least responsible for and least able to afford the harmful effects of global warming are the same people who will be impacted the most by climate change, including many folks living on islands here in the South Pacific, including Marshall Islands, American Samoa & Tonga. Global warming and air pollution from fossil fuel are Environmental Justice issues, which can be mitigated by HB 1319. To fully mitigate the Economic Justice component, I request we return all the carbon tax received back to residents of Hawaii.

It is time to put a price on carbon, and this is one area where 3,500 Economists including 28 Nobel Laureates, along with Elon Musk, Bill Gates and numerous members of environmental groups such as Faith Action for Community Equity and Citizens Climate Lobby Honolulu Chapter agree. Few, if any, issue solutions are agreed upon by such a diverse electorate. We must have a tax or a fee on carbon to quickly and effectively reduce greenhouse gas emissions and mitigate climate change. This is but one step we need to take, but it is a powerful one.

Susan Gorman-Chang

HB-1319-HD-1
Submitted on: 2/15/2021 10:56:23 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jim Nicolow	Individual	Support	No

Comments:

As an architect and sustainable design expert residing in Kailua, I support the idea of a carbon tax and the concept of mitigating adverse affects of the financial burden; however, I believe rebating the additional tax revenues directly rather than through tax credits would be more equitable.

A carbon tax is an effective and economically efficient means for reducing greenhouse gas emissions and the associated effects of climate change. For the sake of equity, though, all of the tax revenue generated should be distributed to all Hawaii tax payers rather than just some via tax credits.

HB-1319-HD-1
Submitted on: 2/15/2021 11:20:51 AM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Molly Whiteley	Individual	Support	No

Comments:

Aloha,

I am writing to you as an individual citizen, a resident of Maui, and active member and local leader of Citizens' Climate Lobby, an international volunteer organization who lobby for national policy to reduce carbon emissions through fair and just carbon pricing.

I am thrilled to see the possibility of successful carbon pricing legislation on the Hawaii State Level, with the introduction of HB1319 and therefore, applaud our Hawaii Legislators for considering this sorely needed legislation. It is exciting to think that Hawaii could once again, be leading on climate legislation and setting a standard for our nation, with a successful carbon pricing bill.

According to 3500 U.S. Economists, along with U.S. Treasury Secretary, Janet Yellen and U.S. Transportation Secretary, Pete Buttigieg, a revenue-neutral steadily rising carbon tax, with correlating dividends paid to citizens, is an essential cornerstone to any climate action package and will reduce carbon emissions more rapidly and efficiently than regulations or any other means, while mitigating the costs of carbon pricing for individual citizens.

Therefore, I do request that you consider these amendments and specifications to the bill:

In order for businesses and individuals to plan, please be clear about the beginning tax amount and set regular and predictable annual increases in the tax. I support starting at $40/metric ton of CO_2 in 2022 and increasing the tax annually to reach $80/metric ton in 2032. Further increases/adjustments to be determined, based on the data from first decade of the tax.

Rather than a tax credit, which is cumbersome and difficult for some citizens to access, **please use the revenue to go toward dividends paid directly to citizens**, especially focusing on low income households, who have the smallest carbon footprint, but will be hit the hardest with price increases resulting from a carbon tax. Please align the dividends with the revenue. In other words, as the tax revenue increases, the dividends should increase, so as to help citizens mitigate the inevitable increase in carbon-related products and services, while they make consumer choices that will reduce carbon emissions.

I personally support an equal dividend to every citizen, for simplicity and durability, avoiding the challenges of means testing for low income recipients, which can be a moving target, as we have seen in the negotiations and discussions about Covid-relief checks in determining who is “deserving” of these payments. However, if the revenue is to be divided between government expenditures (e.g., Research and Development or Infrastructure)and rebates or dividends to citizens, **please be sure that a significant number of lower income people are made whole by a regular dividend payment.**

With your consideration and above amendments to HB1319, I will be able to wholeheartedly support this bill.

Mahalo for your time and effort to mitigate climate disruption.

Molly Whiteley

Maui Resident

TO: Members of the House Committee on Consumer Protection and Commerce:

FROM: Charles Cox, Member of Citizen's Climate Lobby, Honolulu Chapter

SUBJECT: HB 1319 HD1 (2021), Relating to Carbon Pricing

Thank you for the opportunity to submit testimony in support of HB 1319 HD1.

I strongly support increasing the tax on fossil fuels. This will have the effect of increasing fossil fuel prices, which will create an incentive for people to stop using these fuels, thereby reducing greenhouse gases. Economists around the world believe that this economic incentive is the best lever for reducing carbon emissions at the scale and speed that is necessary to control climate change.

A few years ago, Hawaii was a leader in beginning to address climate change concerns, but now we urgently need to take this serious step toward correcting what is perhaps the most serious threat to our civilization. Climate change has already begun to disrupt our lives and the science is clear that this will get very much worse, unless we quickly start to reduce greenhouse gasses.

The current bill would help avoid a revenue shortfall to fund various programs and some of the funds are to be returned to taxpayers to mitigate the financial effects on people. However, the tax may be considered regressive unless all of the revenue collected by the tax is returned to the taxpayers.

The Citizen's Climate Lobby has sponsored studies which have shown that all except the wealthiest citizens will actually make more money than they will spend for a carbon tax, when the funds are returned. The tax will create a powerful incentive to stop burning fossil fuels, but the dividend from this tax will help keep those of us who can least afford the tax from suffering.

Please modify this bill to return all of the revenue to the people. We need to stop the emissions now, while reducing inequities amongst our people.

Sincerely,

Charles E Cox

HB-1319-HD-1
Submitted on: 2/15/2021 1:51:50 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Paula Miller	Individual	Support	No

Comments:

As a resident of the Big Island of Hawaii, I strongly support HB 1319 relating to carbon pricing. The carbon tax is an effective anad economically efficient means of reducing greenhouse gas emissions to control climate change.

Respectfully submitted,

Paula A. Miller

Ninole, HI

HB-1319-HD-1
Submitted on: 2/15/2021 2:00:01 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Cassandra Chee	Individual	Support	No

Comments:

We need to tax carbon emissions in order to reduce our impact on the environment.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1319-HD-1
Submitted on: 2/15/2021 2:00:22 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zoe Whitney	Individual	Support	No

Comments:

I support HB 1319. Carbon pricing is widely supported by economists and scientists as an effective, market-based solution to climate change. I like carbon fees and dividends because, though they are not the whole solution to climate change, they are a vital component of it. HB 1319 currently addresses the fee, however, I ask that a dividend also be added. Please amend HB 1319 so that the tax collected is returned to Hawai'i residents. I believe environmental sustainability must be politically, socially. and economically sustainable. A carbon fee and dividend is politically sustainable because it appeals to both conservative and liberal values. It is socially sustainable because the dividend fosters public buy-in and because the dividend would make up a larger percentage of income for the poorest Americas, supporting them in the transition to a green economy. It is economically sustainable because it has low administrative costs and makes environmentalism profitable.

HB-1319-HD-1
Submitted on: 2/15/2021 2:03:36 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruth Robison	Individual	Support	No

Comments:

I support carbon fee and dividend approach as an essential tool to deal with the climate crisis. Thank you.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1319-HD-1
Submitted on: 2/15/2021 2:40:18 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jalem Correia	Individual	Support	No

Comments:

Aloha Chair, Vice Chair, and distinguished members of the committee,

I am in support of HB1319. Mahalo nui loa for your time!

Best of health and many blessings,

Jalem

HB-1319-HD-1
Submitted on: 2/15/2021 3:02:41 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Parsons	Individual	Support	No

Comments:

Aloha Committee members,
I Strongly support a carbon tax. We don't have much time and all the experts say this is the fairest adn fastest way to influence the public to change its behavior. Remember, the faster we switch the faster we start saving A LOT OF MONEY. For example, recent study says Nevada will save 20 BILLION DOLLARS switching to EV's. How many billions will Hawaii save: https://cleantechnica.com/2021/02/05/new-report-electric-vehicles-can-save-nevada-20-billion/!? Lower Socio-Economic people we benefit most from the savings and have bigger health savings too. THINK BIG, Then, ACT BOLDLY!!!

Mahalo,

Steve parsons, Kauai Resident, Wailua

HB-1319-HD-1
Submitted on: 2/15/2021 8:30:43 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Douglas Hagan	Individual	Support	No

Comments:

Please ammend - **all the carbon tax collected be returned to Hawaii residents through direct payments. This mitigates the adverse effects on taxpayers and simplifies the administration of putting a price on carbon pollution. This is aconsitent with modeling endorsed by 3,500 U.S. ecomonmists, 28 Nobel Laureates. The rebates could be sent directly to Hawaii taxpayers, similar to the covid 19 federtal stimulus checks.**

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1319-HD-1
Submitted on: 2/15/2021 9:53:54 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Max Castanera	Individual	Support	No

Comments:

Aloha,

I support the passing of HB 1319 to disincentivize the use of coal/gas/oil and move towards clean-energy use in the state of Hawaii. Mahalo for your time.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1319-HD-1
Submitted on: 2/16/2021 2:57:29 PM
Testimony for CPC on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dr Marion Ceruti	Individual	Oppose	No

Comments:

I oppose HB1319. Carbon taxes do not work. Moreover, the basic premise of this bill is wrong. Climate changes occur as a result of ice-age cycles, and not because of the combustion of fossil fuels. Carbon dioxide is necessary for plants and there is no reason to try to reduce it. Carbon dioxide does not cause global warming. However, global warming does cause more carbon dioxide and other gases to evolve into the atmosphere from condensed phases of matter, such as liquid water and melting ice. As a retired scientist who does not have to depend on politically correct language in grant applications, I can tell the truth about climate change.

Now is not the time for new taxes as the economy lags behind expectations and working families struggle to regain some semblance of economic security. HB1319 would have a disproportionately negative effect on rural families, workers who have driving jobs, and those who must commute long distances for work. Please, kokua, vote NO on HB1319.