



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection & Commerce
Tuesday, February 13, 2024
2:05 p.m.
Conference Room 329**

**On the following measure:
H.B. 1997, H.D. 1, RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN**

Chair Nakashima and Members of the Committee:

My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to authorize the Public Utilities Commission (Commission) to establish a discounted rate by tariff for water carriers that engage in the interisland transport of renewable hydrogen.

The Department supports the cost-effective production and delivery of renewable fuels that align with the State's clean energy and climate policies. The Department recognizes the intent of this bill, which the Department believes is seeking to enable a greater diversity in the type of renewable fuels available for use within the State. Hydrogen is a renewable fuel if it is produced from renewable resource types that are defined under Hawaii Revised Statutes § 269-91.

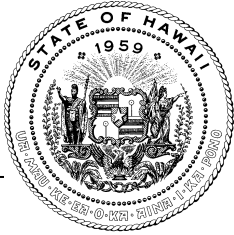
The Department is concerned; however, that the customers of water carriers transporting renewable hydrogen between the islands will bear additional financial burden by enacting the discount because water carriers will likely attempt to recover their decreased revenues by raising rates for other cargo types. Hawaii residents and businesses are already paying high interisland cargo rates since Young Brothers LLC (Young Brothers), the State's regulated water carrier providing interisland shipping, was granted an average (interim) rate increase of about 46% in a pandemic emergency order a few years ago. (See Order No. 37280 issued on August 17, 2020 in Docket No. 2019-0117). The Department also notes there is no financial benefit identified to water carriers' ratepayers from providing the discounted rate for shipping hydrogen. As such, enacting this discount would result in an inequitable burden to Young Brothers' customers bearing the additional costs of providing the discount.

The Department also notes its concerns as to whether there is currently a need to ship renewable hydrogen between the islands and, if such a need did arise in the future, water carrier customers on islands other than Oahu would inequitably bear the cost of providing hydrogen to Oahu at a discounted shipping rate. The Hawaii Natural Energy Institute (HNEI) of the University of Hawaii concludes on pages 7 and 8 of its December 2023 report to the Hawaii State Legislature on the "[Potential Production and Use of Renewable Hydrogen in Hawaii](#)" that:

- Oahu has sufficient land and resources to meet potential near-term [hydrogen] uses but if developed at a larger scale than considered in this report, Oahu would be required to import hydrogen to meet its needs.
- [A]ll the islands other than Oahu have ample land to meet any reasonable on-island uses.
- [I]nterisland shipping was found to be complex and expensive limiting the large-scale applications of hydrogen to the neighbor islands for the foreseeable future.
- While the use of hydrogen for long-term storage (aka firm power) is an often mentioned application, the use of hydrogen to provide

energy during periods of extended low solar or wind resource [availability] was found to require very large amounts of on-island storage. Although included as a potential end-use throughout the report, the amount and cost of this storage is considered prohibitive based on currently available technology.

Thank you for the opportunity to testify on this bill.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

(808) 451-6648
energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 13, 2024
2:05 PM
State Capitol, Conference Room 329 and Videoconference

Providing Comments on
HB 1997, HD1

RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN.

Chair Nakashima, Vice Chair Sayama, and members of the Committee, the Hawai'i State Energy Office (HSEO) respectfully offers comments on HB 1997, HD1, that authorizes the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

As a part of Hawaii's energy strategy, HSEO believes energy generated from hydrogen will play a role in the State's target to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as possible, but no later than 2045, and supports incentives for its development. Local clean hydrogen production at scale was identified as a decarbonization opportunity in HSEO's [Act-238 HSEO Decarbonization Report](#).

HSEO defers to the appropriate agencies for comments on the fiscal, administrative, and regulatory impacts of this bill.

Thank you for the opportunity to testify.



**Testimony to
The House Committee on Consumer Protection and Commerce
February 13, 2024
2:05 PM
Conference Room 329 & Videoconference, Hawaii State Capitol**

HB 1997

Chair Nakashima, Vice Chair Sayama, and members of the committee,

Hawaii Gas **offers comments** on HB 1997, which authorizes the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

Since 1904 Hawaii Gas has been a pioneer in the gas industry. Hawaii Gas is again at the leading edge of our industry given our integration of both Renewable Natural Gas (RNG) and hydrogen into our fuel supply mix and distributing it through our utility pipeline system. Hawaii Gas plays a vital role in Hawaii's energy portfolio by providing clean, reliable, and cost-effective energy to over 70,000 customers on all islands all of whom depend on the company for water heating, cooking, drying, and other commercial and industrial applications. Hawaii Gas continues to look toward new, innovative, and economic ways to incorporate renewable energy sources while also reducing our greenhouse gas emissions.

Hawaii Gas supports the integration of hydrogen as an energy source due to its alignment with the state's renewable energy goals. As an isolated island chain heavily reliant on imported fossil fuels, Hawaii faces unique energy challenges, including high energy costs and vulnerability to supply disruptions. Hydrogen presents a promising solution as it can be produced locally through renewable resources mitigating the state's dependence on imported fuels and reducing greenhouse gas emissions. By investing in hydrogen infrastructure and technologies, Hawaii can foster a more resilient and environmentally friendly energy ecosystem for the islands.

Thank you for the opportunity to testify.



To: The House Committee on Consumer Protection & Commerce (CPC)
From: Sherry Pollack, 350Hawaii.org
Date: Tuesday, February 13, 2024, 2:05pm

In opposition to HB1997 HD1

Aloha Chair Nakashima, Vice Chair Sayama, and Consumer Protection & Commerce Committee members,

I am Co-Founder of the Hawaii chapter of 350.org, the largest international organization dedicated to fighting climate change. 350Hawaii.org **opposes HB1997 HD1** that would authorize the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

Investing in hydrogen at this time is a poor use of our limited resources. It is important to note that hydrogen is an inefficient use of clean electricity. It is always more efficient to use renewable power directly than to convert renewable energy to hydrogen for use as an energy source. In addition, hydrogen fuel cells cost much more and are far less efficient than battery-electric cars.

To protect our climate and future, we need ambitious efforts to electrify our transportation sector wherever we can, as quickly as we can.

Mahalo for the opportunity to testify on this measure.

Sherry Pollack
Co-Founder, 350Hawaii.org



WRITTEN TESTIMONY ONLY
February 13, 2024

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
House Committee on Consumer Protection & Commerce

RE: House Bill 1997 – RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN
Hearing date: February 13, 2024, 2:05 p.m.

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”) offering **COMMENTS** for House Bill 1997 – Relating to the Interisland Transport of Hydrogen.

YB is a common carrier by water, transporting property by tug and barge between the islands of Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai. YB is currently the only water common carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

This measure would, authorize the PUC to establish a discounted tariff rate for hydrogen transported by regulated intrastate water carriers such as YB.

YB is committed to sustainability, environmental responsibility, and the brightest possible future within our shared communities. YB understands that there are many potential benefits to the use of hydrogen as a clean fuel source and appreciates efforts to facilitate the transportation of hydrogen between our islands. However, it should be noted that:

- 1) Offering a discount for any cargo type (e.g., hydrogen) generally necessitates increased rates to other customers to subsidize the discount (unless external funding is provided); and
- 2) YB has limited experience transporting hydrogen and expects that there will be safety and operational challenges associated with transporting hydrogen. These challenges could be further complicated by the form of the hydrogen (i.e., gas or liquid, container type, etc.) and the quantity. Addressing such challenges could increase YB’s operational costs, which would also mean increased rates for other ratepayers, especially if they are already subsidizing a discount.

Thank you for your service to the State of Hawaii and for the opportunity to testify on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs



Written Statement of
David H. Molinaro
HCATT Manager
Hawaii Center for Advanced Transportation Technologies
before the
House Committee on Consumer Protection and Commerce

Thursday, February 13, 2024
2:05 PM
State Capitol, Conference Room 329

In consideration of
HB 1997
RELATING TO INTERISLAND TRANSPORT OF HYDROGEN

Chair Nakashima, Vice Chair Sayama, and Members of the Committee.

The Hawaii Center for Advanced Transportation Technologies (HCATT) **supports** HB 1997 to authorize the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

In order for Hawaii to develop a hydrogen industry, interisland shipping capabilities must be promoted and encouraged to transport hydrogen on an economically viable scale. Sea transport of hydrogen is the only viable option for Hawaii and in order to capitalize and utilize the transportation infrastructure in use by countries such as Japan and Australia, a reduction in the cost hydrogen transportation would be beneficial.

Financial incentives whether in the form of production tax credits, carbon reduction tax credits, or in this case of this legislation, reduction in tariffs for interisland transportation of hydrogen will aid in the stimulus needed to support the development of a hydrogen industry in Hawaii and further provisions Hawaii Revised Statute §196-10, support Hawaii's 2045 RPS mandate, and foster a new renewable energy industry in this State.

Mahalo for the opportunity to present this testimony.

HB-1997-HD-1

Submitted on: 2/12/2024 12:14:18 PM

Testimony for CPC on 2/13/2024 2:05:00 PM

Submitted By	Organization	Testifier Position	Testify
jerry Leslie Chang	Individual	Support	Written Testimony Only

Comments:

Chair Nakashima, Vice Chair Sayama and Member of the CPC Committee,

My name is Jerry Chang, a resident of Hilo, Hawaii testifying in support of HB 1997, to authorize the PUC to establish discounted rates for water carriers to transport renewable hydrogen interisland.

Hawaii County and others on Hawaii Island are passionate about producing hydrogen for our transportation and energy needs and this measure will help potential producers advance their plans and incentivise them to provide hydrogen to not only for Hawaii Island but the rest of the state to reduce our use of fossil fuels and help reach our energy goals by December 31, 2045.

Mahalo for the opportunity to tesify.

Jerry L. Chang

808 286-0462