

JAN 17 2025

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

1 SECTION 1. The legislature finds that transportation is
2 the State's largest source of lifecycle greenhouse gas emissions
3 and that the tourism industry is the State's largest economic
4 driver and biggest transportation sector consumer. The
5 legislature further finds that better management of waste and
6 resources is critical to environmental stewardship and a clean
7 fuel standard is central to reducing the State's lifecycle
8 greenhouse gas emissions while also protecting the State's
9 economic competitiveness, public health, and the environment.
10 To prompt the use of clean fuels and zero-emission vehicles,
11 other states like California, Oregon, and Washington have
12 successfully implemented programs that reduce the carbon
13 intensity of their transportation fuels. The legislature also
14 finds that without policy specific to the transportation sector,
15 emissions reductions will not be achieved in a timeframe
16 consistent with the State's goals. Therefore, a clean fuel
17 standard that is technology-neutral and market-based is an



1 effective policy for reducing emissions in the transportation
2 sector while also achieving other co-benefits.

3 The legislature additionally finds that by creating a clean
4 fuel standard that rewards environmental performance, the State
5 will incentivize the creation of jobs in various sectors,
6 including construction, agriculture, waste management, landscape
7 restoration, forestry, and transportation. A clean fuel
8 standard can create new markets for what is usually considered
9 waste, including but not limited to municipal solid waste;
10 construction and demolition debris; used cooking oil from food
11 processing; agricultural and forestry residuals; industrial
12 emissions; invasive species biomass from landscape restoration
13 projects; and renewable electricity. Furthermore, the demand
14 created for alternative fuels and cleaner forms of mobility
15 under a clean fuel standard will not only help reduce greenhouse
16 gas emissions but may also have a co-benefit of reducing air
17 pollution, improving the health of citizens of the State.

18 It is the intent of the legislature to support the
19 deployment of clean transportation fuel technologies through a
20 carefully designed program that reduces the carbon intensity of
21 fuel used in the State to:



- 1 (1) Reduce lifecycle greenhouse gas emissions;
- 2 (2) Stimulate the local, state, and regional economies,
- 3 thereby providing economic development;
- 4 (3) Promote public and environmental health by increasing
- 5 sustainability and encouraging a circular economy and
- 6 landscape restoration activities; and
- 7 (4) Support existing jobs in the clean fuel industry and
- 8 create new jobs in new innovative clean fuel
- 9 technologies.

10 Therefore, the purpose of this Act is to require the
11 department of transportation to adopt rules governing a clean
12 fuel standard for alternative fuels in the State.

13 SECTION 2. (a) The department of transportation shall
14 adopt rules pursuant to chapter 91, Hawaii Revised Statutes,
15 governing a clean fuel standard for alternative fuels in the
16 State. The rules shall include:

- 17 (1) A schedule to phase-in the implementation of the clean
18 fuel standard for alternative fuels in a manner that
19 reduces the average carbon intensity by at least ten
20 per cent below 2019 levels by 2035 and at least fifty
21 per cent below 2019 levels by 2045, including the



1 establishment of annual carbon intensity standards for
2 alternative fuels;

3 (2) An implementation date for the clean fuel standard for
4 diesel and gasoline on or before January 1, 2027;

5 (3) Standards for measuring lifecycle greenhouse gas
6 emissions using Argonne National Lab's GREET model
7 attributable to the production and use of diesel,
8 gasoline, and other alternative fuels throughout their
9 lifecycles, including feedstock production or
10 extraction, fuel production, and the transportation of
11 raw materials and finished fuels;

12 (4) A mechanism by which diesel and gasoline that have a
13 carbon intensity below the annual carbon intensity
14 standard are used within the State to generate
15 credits;

16 (5) A mechanism by which alternative fuel that has a
17 carbon intensity below the annual carbon intensity
18 standard is used within the State to generate credits;

19 (6) A mechanism to adjust the carbon intensity of
20 alternative fuel when the alternative fuel is used in



1 a powertrain that is not equal in efficiency to that
2 of the reference fuel and drivetrain combination;

3 (7) A mechanism by which diesel or gasoline that has a
4 carbon intensity above the annual carbon intensity
5 standard would generate a deficit;

6 (8) A mechanism by which an alternative fuel that has a
7 carbon intensity above the annual carbon intensity
8 standard would generate a deficit;

9 (9) A mechanism that requires diesel, gasoline, or other
10 alternative fuel that is exported from the State to
11 retire any associated credit or debit;

12 (10) Exemptions for diesel, gasoline, or other fuels used
13 by aircraft, railroad locomotives, military vehicles,
14 and interstate waterborne vessels;

15 (11) Procedures for verifying credits and deficits
16 generated under the clean fuel standard; and

17 (12) A schedule by which the department of transportation
18 shall review and update the lifecycle greenhouse gas
19 modeling every three years based on a review of the
20 best available scientific literature.



(b) The department of transportation may adopt rules that include:

(1) A cost containment mechanism designed to allow for sufficient compliance flexibility and maximum greenhouse gas reductions;

(2) Mechanisms whereby an electric utility or an energy producer can generate credits for electricity for gaseous fuels used in transportation; provided that the department of transportation shall develop these mechanisms based on best practices in use in other states and in consultation with industry stakeholders;

(3) Mechanisms whereby exempt end-uses, such as aviation, marine, rail, and military, can opt in to the program to generate credits when using alternative fuel;

(4) Mechanisms whereby alternative fuel users can opt in to the clean fuel program to generate credits when it displaces the combustion of gasoline or diesel in off-road, heating, cooling, and temporary power generation;

(5) A schedule to phase in the implementation of the standards for alternative fuels that have achieved a



1 predominant market share and have an average carbon
2 intensity that exceeds the annual diesel or gasoline
3 carbon intensity standard;

4 (6) A program to support the deployment of infrastructure
5 for the distribution of electricity as a vehicle fuel
6 based on a mechanism by which not more than per
7 cent of the annual deficits can be allocated;

8 (7) A program to support the deployment of new
9 technologies and infrastructure for the distribution
10 or production of liquid or gaseous alternative fuels
11 based on a mechanism by which not more than per
12 cent of the annual deficits can be allocated;

13 (8) Any standards, specifications, testing requirements,
14 and other measures as needed to ensure the quality of
15 gasoline, diesel, and alternative fuels used in
16 accordance with the clean fuel standard;

17 (9) Linking the clean fuel standard to similar policies in
18 other jurisdictions, including but not limited to
19 California, Washington, and Oregon;

20 (10) A method to utilize the carbon intensity pathways
21 already approved in other states like California,



Oregon, and Washington to reduce the burden of administering and certifying the carbon intensity of transportation fuels in the clean fuel program;

(11) Mechanisms that allow credits to be traded and to be banked for future compliance periods; and

(12) Exemptions for diesel, gasoline, and alternative fuels that are used in volumes below thresholds established by the department of transportation.

(c) As used in this section:

"Alternative fuel" means any fuel that is not gasoline or diesel and is used for transportation purposes, including but not limited to ethanol, biomass-based diesel, renewable diesel, sustainable aviation fuel, electricity, biomethane, biogasoline, renewable natural gas, fuels from carbon capture and utilization, electrofuels, and hydrogen.

"Carbon intensity" means that quantity of lifecycle greenhouse gas emissions per unit of fuel energy, expressed in grams of carbon dioxide equivalent per megajoule.

"Clean fuel standard" means standards for the reduction of greenhouse gas emissions, on average, per unit of fuel energy.



1 "Greenhouse gas" means carbon dioxide, methane, nitrous
2 oxide, hydrofluorocarbons, perfluorocarbons, sulfur
3 hexafluoride, and any other gas or gases designated by the
4 department of transportation or the Hawaii state energy office
5 by rule.

6 SECTION 3. This Act shall take effect on July 1, 2025.

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INTRODUCED BY:

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S.B. NO. 1120

Report Title:

DOT; Clean Fuel Standard; Greenhouse Gases; Alternative Fuels;
Rules

Description:

Requires the Department of Transportation to adopt rules governing a clean fuel standard for alternative fuels in the State.

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