

## ACT 16

H.B. NO. 1986

A Bill for an Act Relating to the Environment.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that the State's natural environment and ecosystems are in a fragile state due to the amount of greenhouse gases released through human activities and the resulting impact on global climate change. The legislature also finds that the State should support programs that incentivize state agencies, private entities, and individuals to adopt practices that are more environmentally friendly and that result in reduced carbon emissions into the environment. The legislature notes that one mechanism that has gained success in Europe after adoption of the Kyoto Protocol is the transferring and selling of carbon offset credits. California and numerous other states and private industries have established these types of credits for purchase by polluters to offset their carbon emissions. Billions of dollars have been raised by California

alone, and many industries are seeking new places to invest these dollars to offset their carbon emissions.

The legislature further finds that it is necessary to invest state funds to improve the State's water infrastructure and ensure future water sustainability in the face of ongoing climate change. More specifically, the State must be prepared to provide more resources and support for those affected by disaster-scale flooding, coastal seawater inundation, and shortages of potable water and agricultural water. The legislature anticipates that the revenues raised by a state carbon offset program will greatly enhance mitigation and adaptation to climate change.

Accordingly, the legislature finds that it is in the public interest to create a carbon offset program in the State that would incentivize and reward the adoption of, practice of, and adherence to carbon emission reduction activities.

The purpose of this Act is to require the office of planning in partnership with the greenhouse gas sequestration task force to establish a framework for a carbon offset program, through which revenues realized from the sale of carbon offset credits may be invested into projects to generate further carbon offset credits or enhance the State's mitigation and adaptation to climate change.

SECTION 2. Chapter 225P, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**“§225P- Carbon offset program.** (a) The office of planning in partnership with the greenhouse gas sequestration task force shall investigate and establish a carbon offset program that:

- (1) Provides expertise in carbon offsetting to public agencies and private entities and assists in coordinating carbon offset projects of public agencies, including but not limited to the generation, certification, and marketing of carbon credits;
- (2) Allows for proceeds and revenues generated by state departments from sales of offset credits to be deposited into suitable funds particularly for reinvestment to generate further carbon offset credits; provided that the funds are used in accordance with the purposes of the fund;
- (3) Allows for proceeds and revenues generated by state agencies from sales of carbon credits other than as described in paragraph (2) to be invested in projects enhancing the State's efforts to mitigate or adapt to climate change; and
- (4) Is consistent with the State's sustainability goals and policies.

(b) The office of planning in partnership with the greenhouse gas sequestration task force shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature and the climate change mitigation and adaptation commission no later than twenty days prior to the convening of the regular session of 2020.

(c) As used in this section:

“Carbon credit” means a tradable certificate or permit issued by a carbon registry that represents a greenhouse gas reduction or greenhouse gas removal enhancement that is equivalent to one metric ton of carbon dioxide and meets the requirements of the carbon offset program.

“Carbon offset” means a compensatory measure made by an agency, business, or individual to reduce carbon dioxide emissions or to increase carbon dioxide sequestration.

“Carbon registry” means any established international, national, or regional carbon registry program that serves voluntary or compliance markets,

provides an independent carbon standard to verify and certify carbon offsets, and issues carbon credits.”

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$150,000 or so much thereof as may be necessary for fiscal year 2018-2019 to investigate and establish the carbon offset program.

The sum appropriated shall be expended by the office of planning for the purposes of this Act.

SECTION 4. New statutory material is underscored.<sup>1</sup>

SECTION 5. This Act shall take effect on July 1, 2018.

(Approved June 4, 2018.)

**Note**

1. Edited pursuant to HRS §23G-16.5.