
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 Part I

2 SECTION 1. The legislature finds that there is evidence
3 that the planet's climate is becoming warmer, with potentially
4 catastrophic effects on coastal areas and global weather
5 patterns. Many scientists suspect that a significant cause of
6 the warming is a man-made increase in emissions of greenhouse
7 gases, which trap heat inside the earth's atmosphere.

8 In response to this situation, the United Nation's Kyoto
9 Protocol calls for international emission reductions of carbon
10 dioxide and five other greenhouse gases and emissions trading to
11 establish a market for reducing greenhouse gas emissions. The
12 United States has refused to support the Kyoto Protocol, even
13 though the United States produces more greenhouse gases than any
14 other country. However, several states, including New York, New
15 Jersey, Delaware, Connecticut, Maine, New Hampshire, and
16 Vermont, have gone ahead and signed a plan setting Kyoto
17 Protocol-style legal limits on greenhouse gases from power
18 stations.



1 The legislature further finds that the Chicago climate
2 exchange is the first major attempt in the United States at
3 establishing a market for reducing greenhouse gas emissions.
4 Also known as "carbon trading", the climate exchange offers
5 energy companies, manufacturers, and governments that reduce
6 their emissions of carbon dioxide and other greenhouse gases the
7 opportunity to make money while protecting the environment.
8 Funded by grants from the Chicago-based Joyce Foundation and
9 administered by Northwestern University's Kellogg Graduate
10 School of Management, the goal of the exchange is to implement a
11 voluntary pilot program for trading greenhouse gases in North
12 America, to be later expanded to include international sources.

13 A number of companies have already participated in
14 bilateral trades of greenhouse-gas emissions. Carbon-trading
15 transactions have already surpassed \$100,000,000, according to
16 the exchange. Economists believe that annual trading volume
17 could eventually run into the tens of billions.

18 Today, the exchange is also active in the European Energy
19 Trading Scheme through the European climate exchange. The
20 European climate exchange offered the first quoted and cleared
21 product for European carbon and began trading futures on the
22 International Petroleum Exchange in April 2005. Within four



1 months, European carbon has established itself as the leading
2 exchange-traded product in the field, with a volume of more than
3 twenty-four million metric tons of carbon dioxide. European
4 climate exchange futures have become the premier product for
5 trading carbon in Europe.

6 The legislature finds that the benefits of participation in
7 the Chicago climate exchange include: reducing the long-term
8 costs of controlling greenhouse gases; receiving financial
9 benefits from environmentally sustainable practices, including
10 reduced energy costs and raised productivity; and enhancing
11 environmental leadership reputation among stockholders,
12 customers, and employees.

13 The legislature further finds that there is a need to
14 investigate whether the State should participate in the Chicago
15 climate exchange and to determine whether such participation can
16 improve the State's ability to increase its use of renewable
17 energy resources.

18 Accordingly, the purpose of this part is to:

- 19 (1) Require the Hawaii energy policy forum to determine
20 the feasibility of Hawaii becoming a member of the
21 Chicago climate exchange to generate needed revenue



1 for the State while helping to improve the
2 environment; and

3 (2) Provide funding to the Hawaii energy policy forum to
4 carry out the purposes of this part.

5 SECTION 2. (a) The Hawaii energy policy forum shall
6 determine the feasibility of the State becoming a member of the
7 Chicago climate exchange. The forum shall establish an advisory
8 committee to carry out the purposes of this part.

9 (b) The advisory committee shall:

10 (1) Investigate and determine whether it is feasible and
11 advisable for Hawaii to become a member of the Chicago
12 climate exchange;

13 (2) Investigate whether there are alternative trading
14 mechanisms that may also be advantageous to consider;

15 (3) Establish whether membership in these climate trading
16 exchanges can result in value to Hawaii, particularly
17 regarding the acceleration of Hawaii's transition to a
18 renewable energy-based economy;

19 (4) Evaluate whether there are any risks and tradeoffs;

20 (5) Evaluate whether any value to be gained from
21 membership or participation in a climate exchange will



- 1 facilitate the achievement of Hawaii's renewable
2 portfolio standards law;
- 3 (6) Investigate whether other states or local governments
4 are members of these climate exchanges and how their
5 experience could be valuable to Hawaii;
- 6 (7) Investigate and opine on national and international
7 trends toward greenhouse gas limits, carbon emission
8 caps, and how trading mechanisms might affect Hawaii
9 in the future; and
- 10 (8) Provide interim reports of findings to the
11 legislature, the public utilities commission, the
12 consumer advocate, the department of business,
13 economic development, and tourism, the department of
14 health, and interested stakeholders.
- 15 (c) In implementing this part, the Hawaii energy policy
16 forum, through its broad energy stakeholder membership, shall
17 ensure that representation on the advisory committee includes:
- 18 (1) A representative from the department of business,
19 economic development, and tourism;
- 20 (2) A representative from the public utilities commission;
- 21 (3) A representative from the department of commerce and
22 consumer affairs;



1 (4) A representative from an electric utility company in
2 Hawaii;

3 (5) A representative from the University of Hawaii;

4 (6) A representative from the renewable energy sector;

5 (7) A representative from the environmental community; and

6 (8) A representative from a non-governmental organization.

7 (d) The Hawaii energy policy forum shall submit a progress
8 report, including any recommendations for administrative or
9 statutory changes, to the legislature not less than twenty days
10 prior to the convening of the 2007 regular session. Copies of
11 the report shall also be transmitted to the public utilities
12 commission and the department of business, economic development,
13 and tourism.

14 SECTION 3. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$, or so much
16 thereof as may be necessary for fiscal year 2006-2007, for the
17 Hawaii energy policy forum to carry out the purposes of this
18 part.

19 The sum appropriated shall be expended by the department of
20 business, economic development, and tourism for the purposes of
21 this part.



1 Part II

2 SECTION 4. In May 2002, the University of Hawaii gathered
3 major energy and policy stakeholders in Hawaii to convene as the
4 Hawaii energy policy forum. The purpose of the policy forum was
5 to develop an energy vision for Hawaii through the year 2030 and
6 to formulate strategies consistent with implementing that
7 vision. Accordingly, facilitated discussions were conducted on
8 Hawaii's preferred energy future and the issues and constraints
9 that would be encountered in achieving that preferred future.
10 Incorporating a science- and fact-based approach, policy studies
11 were conducted to provide baseline information and review of
12 various environmental, regulatory, economic, social, and
13 cultural issues relating to Hawaii's energy future.

14 In December 2003, the policy forum convened a policy summit
15 to provide a community-based forum for review of its work and
16 recommendations. The final report of the policy forum, "Hawaii
17 at the Crossroads: A Long Term Energy Strategy," sets forth
18 recommended guiding principles and policy options to meet
19 Hawaii's long term energy needs.

20 The purpose of this part is to appropriate funds to
21 reconvene the policy forum for the purpose of implementing the
22 vision, concepts, and recommendations of the policy forum's



1 final report, and the resulting "Ten Point Plan" to meet
2 Hawaii's energy goals. This will provide a unique opportunity
3 for stakeholders to continue their work from planning to
4 implementation and for further engagement of policy and
5 decision-makers and consumers on issues relevant to creating
6 Hawaii's preferred energy future.

7 SECTION 5. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$200,000, or so much
9 thereof as may be necessary for fiscal year 2006-2007, to
10 reconvene the Hawaii energy policy forum for the purpose of:

- 11 (1) Developing a detailed action plan and timeline to
12 implement the recommendations of the Hawaii energy
13 policy forum's "Ten Point Plan" to meet Hawaii's
14 energy goals;
- 15 (2) Developing tangible goals, objectives, desired
16 outcomes, and actions to implement the energy vision
17 and strategy of the Hawaii energy policy forum;
- 18 (3) Developing benchmarks for measuring outcomes of energy
19 implementation strategies;
- 20 (4) Further engaging Hawaii's business, government, labor,
21 and community leaders and integrating them into the



1 policy activities and discussions of the Hawaii energy
2 policy forum;

3 (5) Developing greater community and public awareness
4 about Hawaii's energy needs and the goals and
5 activities of the Hawaii energy policy forum; and

6 (6) Seeking additional funding for statewide
7 implementation of and public education regarding the
8 recommendations and goals of the Hawaii energy policy
9 forum.

10 The sum appropriated shall be expended by the department of
11 business, economic development, and tourism for the purposes of
12 this part.

13 Part III

14 SECTION 6. This Act shall take effect on July 1, 2006.



Report Title:

Chicago Climate Exchange; Hawaii Energy Policy Forum

SB3162
SD2 HD1

Description:

Requires the Hawaii energy policy forum to review the feasibility of the State joining Chicago climate exchange and appropriates \$ therefor. Also appropriates \$200,000 to the forum to develop action plan, timeline, and benchmarks to implement the forum's visions, concepts, and recommendations for Hawaii's preferred energy future. Report to legislature.

(SB3162 HD1)

