HB 1019, HD1





DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of RICHARD C. LIM Director

Department of Business, Economic Development, and Tourism before the

COMMITTEE ON ENERGY AND ENVIRONMENT

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COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3:00 p.m. State Capitol, Conference Room 225

in consideration of HB 1019 HD1 RELATING TO SUSTAINABILITY.

Good afternoon Chair Gabbard, Chair Nishihara, Vice Chair English, Vice Chair Kahele and Members of the Committees. My name is Richard Lim and I'm the Director of the Department of Business, Economic Development, and Tourism (DBEDT).

HB 1019 HD1 amends the Environmental Response, Energy, and Food Security Tax (Barrel Tax) to require that 45 cents of the tax be deposited into the Energy Security Special Fund and 45 cents be deposited into the Agricultural Development and Food Security Special Fund.

The Department of Business, Economic Development, and Tourism strongly supports this Administration-proposed bill. This bill will provide a sustainable source of funding for Hawaii's energy office programs and personnel, which are critical to achieving Hawaii's energy security and reducing the State's dependence on imported fossil fuels by at least 70% by 2030.

Hawaii State Energy Office Funding to End

Hawaii State Energy Office programs and personnel are currently funded under the Federal State Energy Program Petroleum Violation Escrow Fund (PVE) and the American Recovery and Reinvestment Act of 2009 (ARRA). The PVE and ARRA funds will run out by the end of June 2011 and April 2012, respectively. It is critical and imperative that we establish a sustainable source of funding for the State Energy Office if we are to continue on our journey towards a clean and sustainable energy future.

Comparison with SB 722

DBEDT prefers HB 1019 HD1, which allocates 45 cents of the Barrel Tax to the Energy Security Special Fund. Compared to SB 722 SD1, which allocates 44 cents to the special fund, and SD2, which allocates an unspecified amount, this bill provides the State Energy Office with greater certainty that adequate funding will be provided to meet the office's program and personnel needs.

In light of Japan's recent natural disaster and the furmoil in the Middle East impacting the State's economy, it is unlikely that the demand for petroleum products subject to the Barrel Tax will equal currently projected levels. This change would result in the Energy Office receiving a lower than projected amount of funding from the Energy Security Special Fund. It is imperative that the 45 cent allocation be considered, since it presents a higher likelihood of adequate and sustainable funding for Energy Office programs and personnel.

Addressing General Fund Concerns

While there is concern on the impact of this bill on the general fund and the Renewable Energy Tax Credit, we must emphasize that promoting clean energy investments and green jobs not only boost the economy, but also produce tax revenues that would otherwise not exist.

Clean energy investments in Hawaii are growing as a result of State and private efforts, with estimated green jobs for 2010 at 11,145 positions and projected investments for 2011 at approximately \$1.2 billion. These new clean energy investments and green jobs not only bring about revenues, but contribute towards energy security and decreased energy price volatility for consumers.

Additionally, figures from a reputable private renewable energy capital investment firm indicates that for every \$1 the State issues in Renewable Energy Tax Credits for renewable energy systems, the return to the State in the form of additional tax revenues is approximately \$2. These figures are based on the investment firm's standard project costing model.

As can be seen, providing funding to promote and incentivize clean energy investments bring about additional benefits and tax revenues that would otherwise not exist.

Energy Office Essential to Achieving Hawaii's Clean Energy Future

In the last three short years, the State Energy Office has achieved so much and has made a difference in effecting Hawaii's energy transformation. Its responsibilities and achievements demonstrate the breadth and depth of its capability in effecting the transformation of Hawaii's energy landscape. From launching the Hawaii Clean Energy Initiative to reaching statewide renewable portfolio standard

levels of 18.8% in 2009, the State Energy Office is essential to driving Hawaii toward its clean energy goals.

Launched Hawaii Clean Energy Reduced dependence on Facilitate achievement of State energy policies and goals through legislative and Initiative with U.S. Department imported fossil fuels by 70% by of Energy, generating ~\$10 M in federal funds for studies and regulatory advancements Hawaii State Energy Office Achievements Increased energy security planning support. Hawaii State Energy Office Responsibiliti through reduced reliance on Promote and support energy ·Signed Energy Agreement efficiency programs, such as imported oil supplies and with HECO Companies to Hawaii's Clean Energy Future building code updates and protection from volatile prices integrate ~1,100 MW of building retrofits: in world oil market. renewable energy in their ·Mitigated costs and risks Greate programs and generation portfolios. incentives that encourage local through diversified portfolio Established Renewable standards, which are energy resource development. Portfolio Standards (RPS) goal estimated to reduce fuel Assist in planning, permitting imports for electricity of 40% clean energy by 2030. and development of more than 45 utility-scale renewable generation by over 90% by ·Adopted Energy Efficiency energy projects in Hawaii. Portfolio Standards (EEPS) goal of 4,300 GW-h by 2030. Diversified economy and Enhance energy emergency increased quality job creation preparedness planning and ·Advocated implementation of with fewer dollars leaving improve energy emergency response capabilities Feed-In Tariffs Tier 1 and Tier 2 Hawaii. programs in the HECO Companies' service territories. ·Reduced greenhouse gas Coordinate with government emissions and attendant and industry for adoptation of ·Facilitated private industry in negative impact on climate alternative fueled and the creation of approximately change. 11,145 green jobs in Hawaii. advanced technology vehicles. Provide guidance and ·Encouraged renewable energy expertise in development of investments amounting to alternative fuel projects \$345 M for 2009, which are projected to be \$917 M for Present and participate in 2010 and reach \$1.2 B in 2011. energy conferences and workshops focusing on energy Developed and manage over efficiency, renewable energy, 40 clean energy grants and contracts worth a total of and energy policy. \$36 M.

Although our team has done so much in such a short period, there is still much to be done. A sustainable and predictable source of funding for energy programs and personnel, such as proposed by this bill, is critical if we are to continue our journey toward a clean energy future.

Positive Impact of this Measure

The funding commitment as provided in this measure is recommended by the Hawaii Economic Development Task Force, which the Legislature established through Act 73, Session Laws of Hawaii 2010. The passage of this measure will allow the Hawaii State Energy Office to fully commit to and execute its responsibilities as outlined above.

Given the State's current economic condition, putting Hawaii's residents back to work is the State's top priority, and we believe the clean energy sector is a vital contributor. From planners, architects and attorneys developing projects, to carpenters and electricians building them, to energy consumers enjoying more stable energy prices, many sectors of the economy benefit from clean energy.

DBEDT strongly supports this bill as critical to continuing our long-term commitment to reducing Hawaii's dependence on imported fossil fuels. We respectfully request your committees to support the passage of HB 1019 HD1. Thank you for the opportunity to offer these comments in support.



RUSSELL S. KOKUBUN Chairperson, Board of Agriculture

> JAMES J. NAKATANI Deputy to the Chairperson

State of Hawaii DEPARTMENT OF AGRICULTURE 1428 South King Street Honolulu, Hawaii 96814-2512

TESTIMONY OF RUSSELL S. KOKUBUN CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT, AND AGRICULTURE

TUESDAY, MARCH 22, 2011 3:00 P.M. CONFERENCE ROOM 225

HOUSE BILL NO. 1019, HOUSE DRAFT 1
RELATING TO SUSTAINABILITY

Chairs Gabbard and Nishihara and Members of the Committees:

Thank you for the opportunity to testify on House Bill No. 1019, House Draft 1 which is an Administration measure. The purpose of this bill is to amend Section 243-3.5, the Environmental Response, Energy, and Food Security Tax by allocating an equal share of the sixty cents currently deposited into the General Fund to the Department of Business, Economic Development and Tourism's Energy Security Special Fund and the Department of Agriculture's Agricultural Development and Food Security Special Fund.

The Department of Agriculture strongly supports this measure. The Department of Agriculture is prepared to utilize the revenues for the projects and programs as described in the attachment to our testimony.

The equal distribution of the undistributed sixty cents between the Agriculture and Energy special funds is one of the recommendations made by the Hawaii Economic Development Task Force (HEDTF, created by Act 73, 2010 SLH) as seen in its Interim Report to the 2011 Legislature. The Report did not recommend an increase in the barrel tax itself. Act 73 also requires the Department of Agriculture to develop a



spending plan and listing of all expenditures for existing and new programs and activities for the Agriculture special fund to FY 2015; identification of who is being served using the expenditures; and the objectives and expected outcomes of the expenditures. To meet these reporting requirements, the Department planned and carried out a two-phase process. Phase One was to create awareness of Act 73 and to solicit ideas for programs and concept from agricultural stakeholders which included county agricultural specialists, Hawaii Farm Bureau Federation, Hawaii Cattlemen's Council, Hawaii Coffee Growers Association, Hawaii Florist and Shippers Association, College of Tropical Agriculture and Human Resources, the Hawaii Agriculture Research Center, and Department staff. Phase II was to develop the ideas generated by Phase I into program and activity proposals. A total of three meetings were held with the stakeholders in late 2010 to meet the reporting requirements of Act 73. The stakeholders agreed that equally allocating the undistributed sixty cents to the Energy and Agriculture special funds was desirable. The stakeholders also agreed that the funds from the Agriculture special fund should be used to supplement existing funds for agriculture appropriated by the Legislature and should not supplant current funding. The stakeholders also provided a number of suggested projects by allowable uses for Fiscal Years 2012 to 2015 which we have attached to our testimony in their entirety. Regarding the matrix of projects, we caution that the projects and programs listed are subject to reprioritization and/or expansion as necessary.

Thank you, again, for the opportunity to testify on this measure.

Attachment

Estimated Cost Per Fiscal Year for All Agricultural Development & Food Security Special Fund Projects Organized by Allowable Uses (HRS Ch. 141)

Note: Priorities for HDOA operations are shown in bold.

Note: ** denotes funding from both the Agricultural Development & Food Security and

Energy Security special funds.

Note: Appendix B contains any proposals that were submitted. The numbers in parenthesis in the table below indicate the proposal # in Appendix B.

	FY 12	FY 13	FY 14	FY 15	Total
A. The awarding of grants to far	mers for agric	ultural produc	ction or proce	ssing activity	
Livestock Feed Reimbursement program (2 yrs)	2,000,000	2,000,000			4,000,000
Grants to farmers to address pest issues, alternative energy	TBD				TBD
Irrigated pasture	\$370,000	110,000	110,000	110,000	700,000
B. The acquisition of real prope	rty for agricul	tural producti	ion or process	ing activity	
Acquire private agriculture lands or ag. easements C. The improvement of real propromote agricultural production	1,000,000 perty, irrigatio	1,000,000 n systems an	1,000,000 d transportati	1,000,000 ion networks i	4,000,000 necessary to
County IAL mapping	200,000	200,000	200,000	200,000	800,000
Private irrigation systems serving IAL -matching funds for CIP **	\$4,000,000	4,000,000	4,000,000	4,000,000	16,000,000
Pipe Schofield R-1 wastewater for agriculture use in Kunia	TBD	+,000,000	4,000,000	+,000,000	TBD
Well infrastructure renovation in Ka'u	TBD				TBD
Water tunnel renovations and distribution pipelines on Kauai	TBD				TBD
Assist with costs for dam safety certification	TBD				TBD
Fund additional irrigation workers for state irrigation systems	TBD				TBD
Value added facilities, certified kitchens	TBD				TBD
Consolidation and marshalling facilities at the ports	TBD				TBD
Improvements to Kula Vacuum Cooling Plant	TBD				TBD
Subsidize transportation costs	TBD				TBD

D.	The purchase of equipment necessary for agricultural production or processing activity					
		FY 12	FY 13	FY 14	FY 15	Total
	Establish Mobile					
	slaughterhouse and		İ			
	processing unit	400,000				400,000
	Fund Kamuela Vacuum					
	Cooling Plant repairs	TBD				TBD
	Funding to renovate		-			
	aging processing facilities	TBD				TBD
	Fumigation chamber for					
	export crops	TBD				TBD
E. '	The conduct of research on a	nd testing of	agricultural p	roducts and r	narkets	
	New Varieties of Coffee		-			
	(Appendix B #1)	45,000	45,000	45,000	45,000	180,000
	Selection of vegetable	,		· · · · · · · · · · · · · · · · · · ·	·	· · · · · · · · · · · · · · · · · · ·
	varieties (App.B #2)	63,000	53,000	49,000	49,000	214,000
	Coffee flower		,			
	synchronization (App B					
	#3)	45,000	45,000	45,000	45,000	180,000
	PBARC Coffee research					,
	(Appendix B #4)	105,000	105,000	105,000	105,000	420,000
	Rust-resistant coffee					
	cultivars (App B #5)	80,000	80,000	80,000	80,000	320,000
	Coffee processing					-
	improvements (App B #6)	30,000	30,000	30,000	30,000	120,000
	Annual research funding					
	for ag and aquaculture	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
	Improvement of food					·
	security and reduction of					
	food safety problems					
	(Appendix B #7)	50,000	100,000	100,000	200,000	450,000
	Farm level water and					
	produce testing					
	(Appendix B #8)	35,000	65,000	120,000	220,000	440,000
	Controlling Seasonal					
	Production and Fruit					
	Quality Problems in					
	Pineapple (Appendix B					
	#9)	90,105	89,105	89,105	О	268,315
	Sustainable Tropical	·	-			,
	Vegetable Production					
	Systems (Appendix B					
-	#10)	106,500	106,500	106,500	0	319,500
	Taro Acridity (App B #11)	93,100	82,100	82,100	0	257,300
		,				, , , , , , , , , , , , , , , , , , ,
	Microbial And Pesticide					
	Concerns With Leafy					
	Vegetables (App B #12)	144,500	132,500	132,500	0	409,500

The funding of agricultural in anguage should be expanded to					
	FY 12	FY 13	FY 14	FY 15	Total
Funding of PQ and commodities inspector positions	1,018,456	1,018,456	1,018,456	1,018,456	4,073,824
Additional HDOA positions requested by industry	TBD				TBD
Continue Invicta	202 202	200 000			400.000
database development	200,000	200,000			400,000
Maui Biosecurity harbor infrastructure improvements	TBD				TBD
. The promotion and marketing		l ral products o	rown or raise	l <u> </u>	100
. The promotion and marketing	ig of agriculta	rar products g	gowii oi raiso	a iii tile state	
Developing a Hawaii Grown Tea Industry (Appendix B #13)	114,504	117,654	122,332	128,350	482,840
Hawaii Coffee Growers Association Trade Shows (Appendix B #14)	40,000	40,000	40,000	40,000	160,000
Hawaii House in Shanghai	50,000	50,000	50,000	50,000	200,000
Public education, marketing and promotion	TBD				TBD
Agricultural Education in schools	TBD				TBD
Permanent locations to showcase agriculture	TBD				TBD
. Any other activity intended to duced importation of food, fod				cessing that m	ay lead to
Funding of Entomologist positions	255,995	255,995	255,995	255,995	1,023,98
Energy & Food Security Planners **	214,286	214,286	214,286	214,286	857,144
New Plant Distribution Center (Appendix B #15)	198,675	200,675	200,675	190,675	790,700
Coffee berry borer fumigation station	50,000	0	0	. 0	50,000
Sanitation measures to reduce coffee berry borer (App B #16)	127,000	127,000	127,000	127,000	508,000

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H. Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.

	FY 12	FY 13	FY 14	FY 15	Total
Hawaii Master Beef Producers (Appendix B #17)	198,868	198,868	198,868	198,868	795,472
Farm Food Safety Coaching(Appendix B #18)	237,568	234,618	236,689	238,780	947,655
Workforce Expansion	12,000	12,000	12,000	12,000	48,000
State-Level Food Ombudsman	TBD	TBD	TBD	TBD	TBD
Total Expenditures	12,574,557	11,912,757	9,770,506	9,558,410	43,816,230

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NEIL ABERCROMBIE GOVERNOR OF HAWAII





STATE OF HAWAII DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621 HONOLULU, HAWAII 96809

Testimony of WILLIAM J. AILA, JR. Chairperson

Before the Senate Committees on ENERGY AND ENVIRONMENT and AGRICULTURE

Tuesday, March 22, 2011 3:00 PM State Capitol, Conference Room 225

In consideration of HOUSE BILL 1019, HOUSE DRAFT 1 RELATING TO SUSTAINABILITY

House Bill 1019, House Draft 1 would amend the Environmental Response, Energy, and Food Security Tax to allocate the sixty cents now going to the General Fund to the Dept. of Business, Economic Development and Tourism's Energy Security Special Fund (increased from 15 to 45 cents) to the Dept. of Agriculture's (DOA) Agricultural Development and Food Security Special Fund (increased from 15 to 45 cents).

The Department of Land and Natural Resources (Department) supports the intent of this bill, recognizing that this request must be balanced with other priorities. The Department especially supports any assistance that can be provided in funding for agricultural inspectors and concurs with DOA's request that statutory language be expanded to include all biosecurity-related positions and activities. In the past, the Department's Natural Area Reserve Special Fund has been diverted to cover shortfalls in funding for agricultural inspectors and to fund the Hawaii Invasive Species Council (HISC). Funding from the Natural Area Reserves Fund to the HISC and conservation programs mandated by statute has been reduced by the economic downturn and by legislative action resulting in a 50% decrease to those programs over the past two fiscal years.

WILLIAM J. AILA, JR. CHAIRFERSON BOARD OF LAND AND NATURAL RESOURCES COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI FRST DEPUTY

> WILLIAM M. TAM DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND CONSTAL LANDS
CONSERVATION AND DESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE BLAND RESERVE COMMISSION
LAND
STATE PARKS



NEIL ABERCROMBIE GOVERNOR

BRIAN SCHATZ

STATE OF HAWAII OFFICE OF THE DIRECTOR

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310 P.O. Box 541 HONOLULU, HAWAII 96809 Phone Number: 586-2850 Fax Number: 586-2856 www.hawaii.gov/dcca KEALI'I S. LOPEZ DIRECTOR

EVERETT KANESHIGE

TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT AND AGRICULTURE

THE TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2011

TUESDAY, MARCH 22, 2011 3:00 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS, TO THE HONORABLE MIKE GABBARD, CHAIR, THE
HONORABLE CLARENCE K. NISHIHARA, CHAIR,
AND MEMBERS OF THE COMMITTEES

HOUSE BILL NO. 1019, HD1, - RELATING TO SUSTAINABILITY

DESCRIPTION:

This measure ensures Hawaii's energy and food security by increasing the allocated amounts for energy and food security from the environmental response, energy, and food security tax, more commonly known as the barrel tax.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports this measure.

COMMENTS:

The Consumer Advocate supports this bill as it makes it explicit and increases the amount from the per-barrel tax on petroleum products that is to be deposited into the Energy Security Special Fund. This special fund funds the Department of Business Economic Development & Tourism's (DBEDT) Energy Program. The Energy Program has been instrumental in moving this state off its dependency on petroleum-based oil to renewable energy resources. The Energy Program provides necessary research,

House Bill No. 1019, HD1 Senate Committees on Energy and Environment and Agriculture Tuesday, March 22, 2011, 3:00 p.m. Page 2

education, and expertise in the complex field of energy generation. The information and expertise from DBEDT's Energy Program assists the Division of Consumer Advocacy (DCA) in its representation of this state's consumers on issues involving the costs and benefits of various renewable energy programs, including wind, solar, geothermal, and hydropower. It also provides DCA with up to date analysis of emerging energy technologies, such as electricity from ocean waves.

DBEDT's Energy Program has been, and will continue to be, an important party concerning the controversial wind farms on Lana'i and Moloka'i that will deliver 400 MW of electricity to the island of Oahu. For example, SB No. 367 that provides the regulatory structure for the undersea transmission cable that will connect the neighbor island wind farms to Oahu includes DBEDT's Energy Program as the State agency that will work with HECO in drafting the Request for Proposal (RFP) for the undersea cable.

If the State of Hawaii is to meet its goal of getting off petroleum-based oil as its principal source of energy generation, then DBEDT's Energy Program must be properly funded. For these reasons, the Consumer Advocate supports HB No. 1019 HD1.

Thank you for this opportunity to testify.

Testimony Presented Before the Senate Committee on Energy and Environment Senate Committee on Agriculture Tuesday, March 22, 2011 at 3:00 p.m.

By Virginia S. Hinshaw, Chancellor and Sylvia Yuen

Interim Dean and Director of the College of Tropical Agriculture and Human Resources University of Hawai'i at Mānoa

HB 1019 HD1 RELATING TO SUSTAINABILITY

Chairmen Gabbard and Nishihara and members of the Committee on Energy and Environment and Committee on Agriculture, thank you for the opportunity to testify in support of HB 1019 HD1, Relating to Sustainability, I am Sylvia Yuen, Interim Dean and Director of the College of Tropical Agriculture and Human Resources (CTAHR).

Agriculture is an important contributor to Hawai'i's economy, but it also preserves green spaces and offers a connection to the culture, history, and lifestyle of our Island communities. There is a symbiotic relationship between agriculture and energy agricultural products can be a source of energy, as in biofuels, and energy efficiencies in growing and processing food can enable agriculturists to reduce costs and become or remain economically viable. As the Food and Energy Security Act 73 (10) recognized, it is in the best interests of Hawai'i's people to build the state's capacity for self-sufficiency in its energy and food needs, as stated in the Hawaii 2050 Sustainability Plan and the Hawaii Clean Energy Initiative. There are, however, several longstanding issues that impede progress toward self-sufficiency in agriculture, including land, water, workforce development, public awareness and support, marketing and competitiveness, research and development, transportation and energy, food safety, bio-security, environmental concerns, and financing. All of the aforementioned require a long-term strategy, focused attention and action, consistent resources, and coordination among stakeholders. Unfortunately, progress in many of these areas has been slow or erratic because consistent and sufficient resources have not been available.

HB 1019 HD1 proposes to increase the allocated amount from \$0.15 to \$0.45 to the agricultural development and food security special fund. This will address the problem of inconsistent and/or lacking resources which has stunted the growth of agriculture in the state. For example, adoption of HB 1019 HD 1 will make it possible to provide sustained investments and support for retaining and maintaining agriculture infrastructures, such as research and education that undergird food

security and sustainability; water storage capacity, conservation, and irrigation systems; as well as for capital improvement of dams and reservoirs. Although the proposed agricultural development and food security special fund will not be sufficient to build and maintain all of the state's water resources and infrastructure, the consistency and increased level of funding will enable considerable advancements to be made.

HB 1019 HD1 is critically important to the success of agriculture and moving Hawai'i toward greater food and energy self-sufficiency, and I support its adoption.

TESTIMONY OF THE COUNTY OF KAUA'I OFFICE OF ECONOMIC DEVELOPMENT

TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT AND AGRICULTURE TWENTY SIXTH LEGISLATURE REGULAR SESSION OF 2011

March 22, 2011 Conference Room 225, State Capitol 3:00 p.m.

TESTIMONY ON HB 1019, HD1 722, RELATING TO SUSTAINABILITY

TO THE HONORABLE MIKE GABBARD AND CLARANCE NISHIHARA, CHAIRS, THE HONORABLE J. KALANI ENGLISH AND GILBERT KAHELE, VICE CHAIRS, AND MEMBERS OF THE COMMITTEES:

I am George K. Costa, Director of the Office of Economic Development, submitting this written testimony on behalf of the County of Kaua'i (County).

The County supports this bill, with modifications, which seeks to revise the amount of Environmental Response, Energy and Food Security tax that would be deposited into the Energy Security Special Fund, the Energy Systems Development Special Fund, the Agricultural Development and Food Security Special Fund, and the Environmental Response Revolving Fund.

The State Department of Business, Economic Development and Tourism's (DBEDT) Hawai'i State Energy Office programs and personnel are currently funded under Federal State Energy Program Petroleum Violation Escrow Funds (PVE) and the American Recovery and Reinvestment Act of 2009 (ARRA). Both the PVE and ARRA funds are expected to be depleted by the end of June 2011 and April 2012. The 45 cents proposed allocation to the Energy Security Special Fund is to fund DBEDT and their programs.

Kaua'i's energy program currently receives PVE funds and for next fiscal, we hope to also receive funds from the Environmental Response, Energy and Food Security Tax. We have been advised that Governor's approval is required so we are unsure if the funds will come to us. The County has done much to support the State's clean energy initiatives. We have participated in the PUC's clean energy-related dockets, implemented energy efficiency programs, installed renewable energy systems, and provided DBEDT with many hours of logistical support for their programs. Kaua'i was recently awarded a DBEDT grant to establish electric vehicle charging infrastructure at six public county facilities, in addition to purchase and use of five electric vehicles for county use. The electric vehicle infrastructure grant funds will help the county fulfill part of Mayor Bernard Carvalho's Holo

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Holo 2020 vision of moving Kaua'i towards a more sustainable energy future. But like DBEDT, we have lacked a consistent funding source to move our energy initiatives forward in a timely manner.

The County requests that S.B. 722 be modified to designate a direct appropriation to the counties of 35% of the funds collected from each county which are deposited into the Energy Security Special Fund. This would leave 65% of the funds for designated state use. Our reasons for a direct appropriation are to solidify the funding stream to Kaua'l and the other counties, and to eliminate the cumbersome and less than timely state contracting process. The current funding process has no guarantee that any of the funds collected from Kauai and deposited into the Energy Security Special Fund will be allocated for more than a year at a time, which makes it impossible to plan and work on multi-year projects. The County commits to a 1:1 annual match for these energy funds with county funds.

We thank the Committee for the opportunity to present testimony on this matter and request that this bill be approved with the recommended changes.



Randall M. Kurohara Director

> Laverne R. Omori Deputy Director

County of Hawaii

DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 1301 • Hilo, Hawaii 96720-4252 (808) 961-8366 • Fax (808) 935-1205 E-mail: chresdev@co.hawaii.hi.us

March 22, 2011

The Honorable Mike Gabbard and the Honorable Clarence Nishihara, Chairpersons and Members of the Committees on Energy and Environment and Agriculture State Capitol, Conference Room 225 Honolulu, Hawai'i 96800

RE: HB 1019, HD1 722 Relating to Sustainability

Dear Chairpersons Gabbard and Nishihara:

On behalf of the County of Hawai'i, Department of Research and Development, we support HB 1019, which seeks to revise the amount of Environmental Response, Energy and Food Security tax that would be deposited into the Energy Security Special Fund, the Energy Systems Development Special Fund, the Agricultural Development and Food Security Special Fund, and the Environmental Response Revolving Fund, however with one (1) modification.

The State Department of Business, Economic Development and Tourism's (DBEDT) Hawai`i State Energy Office programs and personnel are currently funded under Federal State Energy Program Petroleum Violation Escrow Funds (PVE) and the American Recovery and Reinvestment Act of 2009 (ARRA). The recent ARRA funds have allowed the State Energy Office to expand programs and hire new energy personnel. Both the PVE and ARRA funds are expected to be depleted by the end of June 2011 and April 2012, respectively. The forty-five (45) cent proposed allocation to the Energy Security Special Fund is designated to fund DBEDT Energy Office, new energy staff and their programs.

The County of Hawai'i's energy program, consisting of one (1) Energy Coordinator, currently applies to DBEDT for PVE funds (\$70,920 for budget and salary annually) as part of the Neighbor Island Energy Assistance Program. At the end of every fiscal year, we await approval of funds for continuation of our Energy Program. With the expiration of the PVE funds and no new designated funding source, Neighbor Island Energy Programs are in jeopardy of losing their programs.

Chair Gabbard and Chair Nishihara and Members of the Committees on Energy and Environment and Agriculture March 21, 2011 Page 2

The County of Hawai`i's Energy Program has accomplished much to support the State Clean Energy Initiatives and have implemented programs to increase our Renewable Energy Systems to over one-third our Annual Energy Consumption. We serve on the HCEI Steering Committee, intervene in PUC's Clean Energy-related dockets, serve on the Hawai`i Energy Policy Forum Board, implement energy efficiency programs, install effective renewable energy systems on County facilities and dedicate the majority of our time in support of DBEDT Clean Energy programs. As a result, we have created the roadmap for 'the most renewable energy system in the United States' and have become the islands' host to many that desire a look at the State of Hawai`i Clean Energy future.

To continue our implementation of the State Energy and Clean Energy Programs, we request for next fiscal (FY 2011-12) to receive a small portion of the funds from the Environmental Response, Energy and Food Security Tax and the Energy Security Special Fund. As each County contributes to the barrel tax, we believe this is the most logical way to continue important and effective County energy programs.

Therefore, the County of Hawai`i requests that HB 1019 (HD1 722 Relating to Sustainability) be modified to designate a direct appropriation to the Counties of thirty percent (30%) of the funds collected from each County which are deposited into the Energy Security Special Fund. This would leave seventy percent (70%) of the Energy Security Special Fund monies collected from each County for DBEDT use. A direct appropriation will provide stability to support our long-term energy-related initiatives.

We recommend this funding be a direct appropriation; as passage of this bill (unmodified) would not guarantee these funds be allocated to the Counties. Further, a direct appropriation is requested as we are unable to receive funding commitments from DBEDT for more than a year at a time, and that commitment comes just before our new fiscal year (after County budgets have been set), making it difficult to plan.

As we look towards the economic future of the State of Hawai'i, I believe that serious considerations need to be made that benefit both the economic drivers of our State, as well as the State and County governments as a whole.

Thank you for the opportunity to provide testimony on this critical matter. Should you have any questions, please feel free to contact me at 808-961-8366 or by email at chresdev@co.hawaii.hi.us.

Sincerely,

RANDALL M. KUROHARA

DIRECTOR

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT:

FUEL, Environmental response, energy and food security tax

BILL NUMBER:

HB 1019, HD-1

INTRODUCED BY:

House Committee on Finance

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the energy security special fund from 15 cents to 45 cents. Also increases the amount deposited into the agricultural development and food security special fund from 15 cents to 45 cents.

EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: This is an administration measure submitted by the department of business, economic development and tourism BED-12(11). The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. Last year, the legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into the environmental response revolving fund; 15 cents shall be deposited into the energy systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; 15 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

This measure proposes to increase the amount deposited into the energy security special fund from 15 cents to 45 cents and the agricultural development and food security special fund from 15 to 45 cents. This will result in no residual funds deposited into the general fund.

It should be remembered that the environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Now that the fund has become a cash cow, lawmakers have placed other responsibilities on the fund, including environmental protection and natural resource protection programs, such as energy conservation and alternative energy development, to address concerns related to air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department of health.

It should be noted that the enactment of the barrel tax for the environmental response revolving fund is the classic effort of getting one's foot in the door as it was initially enacted with a palatable and acceptable tax rate of 5 cents and subsequently increasing the tax rate once it was enacted which is what it has morphed into as evidenced by the \$1.05 tax rate. Because the tax is imposed at the front end of the product chain, the final consumer does not know that the higher cost of the product is due to the tax. Thus, there is little, if any, accountability between the lawmakers who enacted the tax and the vast majority of the public that ends up paying the tax albeit indirectly. Proponents ought to be ashamed that

HB 1019, HD-1 - Continued

they are promoting a less than transparent tax increase in the burden on families all in the name of environmental protection and food security.

It should be remembered that the State Auditor has singled out the environmental response revolving fund as not meeting the criteria established and recommended that it be repealed. The Auditor criticized the use of such funds as they hide various sums of money from policymakers as they are not available for any other use and tend to be tacitly acknowledged in the budget process. More importantly, it should be recognized that it is not only the users of petroleum products who benefit from a cleaner environment, but it is the public who benefits. If this point can be accepted, then the public, as a whole, should be asked to pay for the clean up and preservation of the environment.

Funds deposited into a revolving fund are not subject to close scrutiny as an assumption is made that such funds are self-sustaining. It should be remembered that earmarking of funds for a specific program represents poor public finance policy as it is difficult to determine the adequacy of the revenue source for the purposes of the program. To the extent that earmarking carves out revenues before policymakers can evaluate the appropriateness of the amount earmarked and spent, it removes the accountability for those funds. There is no reason why such programs should not compete for general funds like all other programs that benefit the community as a whole.

This measure was approved last year on the basis that it would insure energy self-sufficiency and food security, but instead of devoting the proceeds from the entire dollar increase to these purposes the legislature instead used 60 cents of every dollar to shore up the state general fund. This measure now proposes to restore that amount to the various programs it was supposed to have funded. If nothing else, this is a demonstration of expediency, if not a disingenuous act on the part of lawmakers. Taxpayers should demand on-going accountability of how this money will be used and whether or not the expenditure of these funds undergoes the same close scrutiny of other taxpayer dollars.

It should be noted that the measure to increase the environmental response, energy, and food security tax was vetoed by the governor and subsequently overridden by the legislature. The governor's message stated that the measure was vetoed "because it raises taxes on Hawaii residents and businesses by an estimated \$22 million per year at a time when the community cannot afford these taxes, and deceptively implies these funds will be used to address the state's dependence on imported fuel and food. This tax will impact virtually everything we do or use in Hawaii including electricity, gasoline, trucking, shipping, retail goods, food, and even the propane for our backyard barbeques. The impacts will ripple through our entire economic system. I am particularly concerned that the tax increase occurs at a precarious moment when the State economy is beginning to stabilize and progress out of the slump created by the global recession."

Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund should be funded through the general fund. At least program managers would then have to justify their need for these funds. By continuing to special fund these programs, it makes a statement that such programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer. Unfortunately, it will be the poor who bear the brunt of this additional tax burden as nearly all of their income will be spent on goods and services that will be affected by the barrel tax. So much for caring for the poor in our community.



The Nature Conservancy of Hawai'i 923 Nu'uanu Avenue Honolulu, Hawai'i 96817 Tel (808) 537-4508 Fax (808) 545-2019 nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting with Amendments H.B. 1019, HD 1 Relating to Sustainability
Senate Committee on Energy and Environment
Senate Committee on Agriculture
Tuesday, March 22, 2011, 3:00PM, Rm. 225

The Nature Conservancy supports H.B. 1019, HD 1. However, we prefer the provisions of SB 722 as approved by the Senate that include funding for the Climate Change Task Force established by Act 20 (2009). Furthermore, we think the barrel tax revenue should help address the direct affects of climate change caused by burning fossil fuels.

We recommend this bill be further amended (see attached) to require a small portion of the barrel fee be used to actually help communities and our natural resources cope with the inevitable challenges of climate change caused by emissions from burning fossil fuels.

Act 73 (2010) establishing the barrel tax and the subsequent report of the Economic Development Task Force both acknowledge that consumption of fossil fuels contributes to climate change and the deterioration of Hawaii's environment. Both state their purpose to "[h]elp Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by...burning fossil fuels." Act 73 further acknowledges that our lives and the economy are intertwined with the health and function of the natural world around us. Yet, surprisingly, neither Act 73 nor the Task Force report take any specific action or make any recommendation to address the direct effects of climate change.

Climate change is an imminent and unprecedented threat to both natural systems (e.g., forests, coastlines, coral reefs, wetlands) and to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Scientists have examined the evidence and rapid climate change is real; it is clearly caused by human activity; it is already a problem for habitat for plants and animals; and, if sources of CO2 are not dramatically reduced, climate change could well have catastrophic results for people and their relationship with the natural environment.

Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates that this may include:

- More frequent and more severe storms;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that may affect the health of forested watersheds;
- Climatic conditions even more conducive to invasive plants, insects and diseases;
- Sea level rise and high wave events that will harm coastal areas and cause seawater infiltration into groundwater systems; and
- Ocean acidification that will inhibit the growth of coral reefs.

In addition, to achieving energy security through vastly greater energy efficiency, technology and renewable energy development, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems.

Proposed amendments attached.

HOUSE OF REPRESENTATIVES TWENTY-SIXTH LEGISLATURE, 2011 STATE OF HAWAII

H.B. NO. H.D. 1

A BILL FOR AN ACT

RELATING TO SUSTAINABILITY.

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

SECTION 1. The Legislature finds that the State needs to direct new revenues towards new priorities and move immediately to drive the clean energy and food sustainability agenda in Hawaii, as well as address the effects of climate change caused by burning fossil fuels. Through Act 73, Session Laws of Hawaii 2010, the legislature recognized that it is in the best interest of Hawaii's people to build the capacity needed to become self-sufficient in our energy and food needs as stated in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative".

The State of Hawaii relies on imports for approximately ninety per cent of our energy and food needs. This dependency is economically and environmentally unsustainable, and undertaking the important task of energy and food security requires a long-term commitment and investment of substantial financial resources. Act 73 was therefore enacted to increase the per-barrel tax on petroleum products under the environmental response, energy, and food security tax, formerly known as the environmental response tax.

In addition, Goal 3 of the Hawaii 2050 Sustainability Plan is that "our natural resources are responsibly and respectfully used, replenished and preserved for future generations." Act 73 states that the mass consumption of fossil fuels, driven by our dependence on food and energy imports, contributes to climate change and the deterioration of the environment, including severe storm events, less rainfall, warmer temperatures that favor invasive species, a rise in sea levels, and ocean acidification that hampers coral growth. These climate changes will likely impose major, but not fully understood, costs and other impacts on Hawaii's people and the natural capital we depend upon to support our lives in the middle of the Pacific

Ocean. Nowhere is it more obvious than in remote islands like Hawaii that our lives and economy are intertwined with the health and function of the natural world around us. For these reasons, Act 73 specifically includes in its purposes to help Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by burning fossil fuels.

The legislature further finds and declares that the environmental response, energy, and food security tax was intended to support critical investments in clean energy and local agricultural production in order to reduce the State's dependence on imported fossil fuels and food products, as well as to help Hawaii address the likely effects of climate change caused by burning fossil fuels. As currently apportioned, only a combined \$0.30 of the \$1.05 per-barrel tax is being allocated to the energy security fund and the agricultural development and food security special fund, with just \$0.15 to going to each fund. Nothing is being allocated to address the effects of climate change on communities and Hawaii's environment .; while t The majority of the funds, \$0.60 per barrel, is going directly to the General Fund. This was clearly not the intent of the aforementioned Act. Increasing the allocated amount from \$0.15 to \$0.405 to the energy security fund and the agricultural development and food security special fund, respectively, as well as allocating \$0.10 to climate change planning, resilience and adaptation, will support the intended purposes of Act 73 of 2010 and is a clear public benefit.

SECTION 2. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

- "(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be \$1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:
 - (1) 5 cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
 - (2) [15] 40 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;

- (3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169; and
- (4) [15] 40 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.
- (5) 8 cents of the tax on each barrel shall be deposited into the climate change resilience and adaptation special fund established under section 195D-.
- 2 cents of the tax on each barrel shall be deposited into a special account of the general fund to be expended by the office of planning for the operations of the climate change task force established by Act 20, Special Session Laws of Hawaii 2009."
- SECTION 3. Section 128D-2, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:
- "(b) Moneys from the fund shall be expended by the department for response actions and preparedness, including removal and remedial actions, consistent with this chapter; provided that the revenues generated by the environmental response, energy, and food security tax deposited into the environmental response revolving fund:
 - (1) Shall be used:
 - (A) For oil spill planning, prevention, preparedness, education, research, training, removal, and remediation; and
 - (B) For direct support for county used oil recycling programs; and
 - (2) May also be used to support environmental protection and natural resource protection programs, including energy conservation and alternative energy development, and to address concerns related to air quality, global warming climate change, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department and funding for the acquisition by the State of a soil remediation site and facility.

SECTION 4. Chapter 195D, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§195D- Climate change resilience and adaptation special fund; establishment. (a) There is established within the state

treasury the climate change resilience and adaptation special fund.

- (b) The following shall be deposited into the special fund:
 - (1) The portion of the environmental response, energy and food security tax specified under section 243-3.5;
 - (2) Any appropriation by the legislature into the special fund;
 - (3) Any grant or donation made to the special fund; and
 - (4) Any interest earned on the balance of the special fund.
- (c) Subject to legislative appropriation, moneys in the special fund may be expended to promote the resilience and adaptation of indigenous plants, animals, aquatic life, and their associated ecosystems to ensure their ongoing health, function and ability to deliver public services such as fresh water, sediment control, shoreline protection, and food in the face of the effects of global climate change, including but not limited to the following:
 - (1) The awarding of grants to governmental and nongovernmental entities and individuals;
 - (2) The acquisition of real property;
 - (3) The protection, management and restoration of forests, watersheds, coastal resources, and fresh water and marine ecosystems;
 - (4) Addressing threats posed by invasive species;
 - (5) The restoration of forests for the purposes of carbon sequestration and other ecosystem services;
 - (6) The purchase of necessary equipment;
 - (7) The conduct of necessary research and planning;
 - (8) To fund, to the extent possible, the climate change task force; and

Any other activity intended to preserve the function and health of natural systems to adapt and be resilient to the effects of climate change.

- (d) The department shall manage the special fund, including any expenditures from the fund, in consultation with the division of forestry and wildlife, the division of aquatic resources, the natural area reserve system commission, the forest stewardship commission, and the University of Hawaii Center for Island Climate Adaptation and Policy."
- (e) The department shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities, and the status of new programs and activities funded under the climate change resilience and adaptation special fund. The report shall also include the

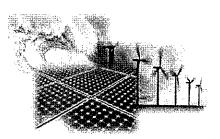
spending plan of the climate change resilience and adaptation special fund, all expenditures of climate change resilience and adaptation special fund moneys, the specific objectives of the expenditures, and measurable outcomes."

SECTION 5. This Act does not affect the rights and duties that matured, penalties that were incurred, and proceedings that were begun, before its effective date.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2011.





SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE

March 22, 2011, 3:00 P.M. Room 225 (Testimony is 5 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, SUGGESTED AMENDMENT

Chairs Gabbard and Nishihara and members of the Committees:

The Blue Planet Foundation strongly supports HB 1019 HD1, a measure to increase the percentages of the tax collected on petroleum imports directed to food and energy security programs and planning. We believe this amendment will help this policy achieve its original intent by directing all of the funds to clean energy and agriculture. Hawaii's barrel tax law is keystone clean energy policy that provides for dedicated investment in clean energy, funding the critical planning, development, and implementation of clean energy programs that will foster energy security for Hawaii.

Blue Planet believes the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel. We have also found, through three separate surveys commissioned by Blue Planet, that Hawaii residents strongly support this taxing policy. To truly accelerate Hawaii's transition to energy independence, Blue Planet asks that these Committees amend HB 1019 HD1 in two ways:

- 1. Include a tax on coal imports to ensure a consistent policy regarding fossil fuel; and
- 2. Expand the barrel tax to \$5, the level of tax that is broadly supported by residents.

The fossil fuel tax should include coal imports

Blue Planet strongly supports expanding the barrel tax to include other carbon fuel imports such as coal. The purpose of such an expansion is to ensure consistent taxing policy across Hawaii's fossil fuel imports (not perversely incentivizing one over the other) and to increase revenue for clean energy and food security programs. Hawaii imports approximately 1.6 billion pounds of coal annually for electricity production. Most of this coal is imported from Indonesia.

Coal is among the dirtiest of fossil fuels, with the highest carbon intensity. Mining, shipping, toxic emission, and climate change impacts increase the actual price of coal well beyond its "market price"—a recent Harvard M edical School study¹ estimates that those additional costs exceed the real cost by three- or four-fold (added cost of up to \$0.27 per kilowatt-hour produced). Just last year a bulk carrier hauling coal grounded itself on the reef entering Barbers Point Harbor². Coal has significant environmental impacts.

One short ton of coal has approximately five times the energy and carbon density as one barrel of oil³. Blue Planet therefore believes that a carbon tax of \$5 per ton of coal imported to Hawaii is equivalent to the \$1.05 currently assessed to each barrel of oil. At current Hawaii coal importation rates (approximately 820,000 short tons annually), simply expanding the barrel tax to coal would yield \$4.1 million annually for clean energy and food security programs. A proposed amendment to achieve this is at the end of this testimony.

Rationale for expanding the Barrel Tax Policy in 2011

If we truly want to rapidly transition Hawaii to a clean, sustainable energy future, we have to be prepared to invest in that preferred future today. The price of oil has already exceeded \$100 per barrel in 2011, and recent unrest in the Middle East and unease toward nuclear energy after the Japan crisis will likely force oil prices higher. We must act aggressively now.

According to three separate surveys commissioned by Blue Planet, over two-thirds of Hawaii residents support paying an additional amount on their energy bills (with the mean equivalent to a \$5 per barrel tax) if the revenue was dedicated to Hawaii's clean energy future. We also strongly support expanding this measure to include a tax on coal imports into Hawaii.

Blue Planet Foundation proposes that HB 1019 HD1 be amended by increasing the oil tax to \$5 per barrel (yielding approximately \$120 million annually). The majority of these revenues should be directed to clean energy planning, development, integration, incentives, and other activities facilitating Hawaii's energy transformation.

Hawaii is the most dependent state in the nation on imported oil. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources⁴. In addition, **more than** 820,000 tons of coal are imported into our state⁵. These sources supply power for over 95% of

⁵ Ibid.

¹ chge.med.harvard.edu/programs/ccf/documents/MiningCoalMountingCosts.pdf

http://www.hawaiinewsnow.com/global/story.asp?s=11941472

www.epa.gov/greenpower/pubs/calcmeth.htm

⁴ The State of Hawaii Data Book, 2007

Hawaii's overall energy needs. The combustion of these resources also contributes more than 23 million tons of climate changing greenhouse gas into our atmosphere annually ⁶. Hawaii's economic, environmental, and energy security demand that we reduce the amount of imported fossil fuel that the state consumers. To that end, new policies and sources of funding are critically needed that will dramatically increase energy efficiency, build our smart energy infrastructure with storage, and develop clean, renewable, and indigenous energy sources.

A \$5 per barrel tax on oil would provide the needed funding for clean energy and efficiency research, planning, implementation to transition to our preferred clean energy future. As we dramatically expand our clean energy capacity in Hawaii, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present.

Carbon Tax is Smart Tax Policy

A barrel fee (or "carbon tax") is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The concept behind the measure is to help "internalize" the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. The link is quite clear between the use of petroleum products and corresponding impacts on our fragile island environments—not only in oil spills, which was the original impetus for the environmental response tax, but also in runoff from the roads our cars drive on, in degraded air quality, and in greenhouse gas emissions and climate change.

Unlike many other taxes, the barrel tax is largely avoidable by most residents. Energy efficiency, conservation, and switching to clean sources of power all reduce the burden of the tax. In fact, most residents could reduce the amount of barrel tax they pay by installing some compact fluorescent light bulbs at home and ensuring that car tires are properly inflated.

A "clean energy" surcharge on a barrel of oil of \$5 is approximately the same as a carbon tax of \$10.45 per ton of carbon dioxide $(CO_2)^7$. It would have a marginal impact on petroleum users, yet significantly increase the state's ability to deliver energy efficiency investments and clean energy project funding. A \$10.45 "carbon fee" is average. Many European countries have carbon taxes that exceed \$10.00 per ton. In 2008, the Canadian province of British Columbia enacted a carbon fee that started at approximately \$8.00 per ton (English) in July, 2008, and increases to \$24 per ton by 2012. That tax has raised nearly \$1 billion dollars⁸.

Blue Planet Foundation

⁶ ICF International. Inventory of Greenhouse Gas Emissions and Sinks in Hawaii: 1990 and 2007. December 2008.

⁷ At 23 lbs CO2 produced per gallon oil and 42 gallons per barrel.

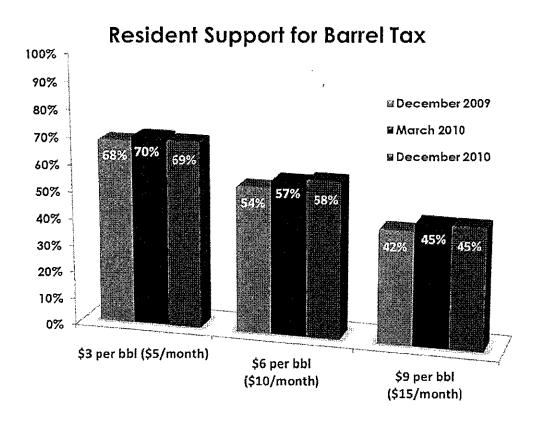
http://www.fin.gov.bc.ca/tbs/tp/climate/A6.htm

Blue Planet Foundation conducted market research in December 2009, March 2010, and December 2010 to discern the level of public support for a barrel tax for clean energy investment. The statewide survey of residents found broad support for a barrel tax with roughly 70% supporting a tax of some amount. Each survey had a random sample of 500 residents statewide, providing a margin of error of 4.4% at a 95% confidence level.

The average level of support was equivalent to a \$5 per barrel tax. Forty-five percent of residents supported paying an additional \$15 on their monthly energy bills, equivalent to a \$9 per barrel tax. These findings should provide comfort to decision makers wrestling with how to develop funding for Hawaii's clean energy future—Hawaii's residents are willing to pay to wean Hawaii'i from its oil dependence. *Please see chart below*.

While it's clear that we need to aggressively increase our energy efficiency and clean energy use in Hawai'i to decrease our reliance on imported crude, we cannot do it without adequate funding for development and implementation. House Bill HB 1019 wisely taps the source of our problem—imported oil—to fund clean energy programs.

Thank you for the opportunity to testify.



SUGGESTED AMENDMENT: Coal tax addition

- \$243-_____ Environmental response, energy, and food security tax; uses. (a) In addition to any other taxes provided by law, there is hereby imposed a state environmental response, energy, and food security tax on each ton or fractional part of a ton of coal product sold by a distributor to any end user of coal product. The tax shall be \$4.66 on each ton or fractional part of a ton of coal product, provided that of the tax collected pursuant to this subsection:
 - (1) 25 cents of the tax on each ton shall be deposited into the environmental response revolving fund established under section 128D-2;
 - (2) 210 cents of the tax on each ton shall be deposited into the energy security special fund established under section 201-12.8;
 - (3) 45 cents of the tax on each ton shall be deposited into the energy systems development special fund established under section 304A-2169; and
 - (4) 210 cents of the tax on each ton shall be deposited into the agricultural development and food security special fund established under section 141-10.
 - (5) 10 cents of the tax on each ton shall be deposited into a special account of the general fund to be expended by the office of planning for the operations of the climate change task force established by Act 20, Special Session Laws of Hawaii 2009.

The tax imposed by this subsection shall be paid by the distributor of the coal product.

- (b) Each distributor subject to the tax imposed by subsection (a), on or before the last day of each calendar month, shall file with the director, on forms prescribed, prepared, and furnished by the director, a return statement of the tax under this section for which the distributor is liable for the preceding month. The form and payment of the tax shall be transmitted to the department of taxation in the appropriate district.
- (c) Every distributor shall keep in the State and preserve for five years a record in such form as the department of taxation shall prescribe showing the total number of tons and the fractional part of tons of coal product sold by the distributor during any calendar month. The record shall show such other data and figures relevant to the enforcement and administration of this chapter as the department may require.



March 21, 2011

Senator Mike Gabbard
Chair, Committee on Energy and Environment
Senator J. Kalani English
Vice Chair, Committee on Energy and Environment
Senator Clarence K. Nishihara
Chair, Committee on Agriculture
Senator Gilbert Kahele
Vice Chair, Committee on Agriculture
Hearing on House Bill 1019 HD1
State Capitol, Conference Room 225

Aloha Chair Gabbard, Chair Nishihara, Vice Chair English and Vice Chair Kahele!

I am writing to express my strong support for House Bill 1019 HD1. As a lead economic development organization in the State of Hawaii, Enterprise Honolulu is actively engaged in activities to revitalize our Agriculture industry (towards food security) and continue to move our state towards the objectives of Energy Self reliance and the Hawaii Clean Energy Initiative.

Enterprise Honolulu assisted in drafting Act 73, the voice of the community which was polled was overwhelmingly weighted towards the request to use the monies being taken for the intent so that Hawaii will realize a shift from our current dependency of imported food and fuel.

The task is large and requires a consistent and endured commitment of financial resources.

I ask for your consideration to support HB 1019 HD1 as we do our part to work with all parties for a better future for our keiki.

Please feel free to contact me directly should you have any questions.

Sincerely,

Pono Shim

President & CEO

Enterprise Honolulu, Oahu Economic Development Board

ENTERPRISE HONOLULU

THE BUSINESS CLIMATE OF PARADISE



HB1019, SD1 RELATING TO SUSTAINABILITY

Senate Committee on Energy and Environment Senate Committee on Agriculture Joint Public Hearing – March 22, 2011 3:00 p.m., State Capitol, Conference Room 225

PRINCIPALS

Francis S. Oda, Arch.D., FAIA, AICP, LEED AP

Norman G.Y. Hong

Sheryl B. Seaman AIA, ASID, LEED AP

Hitoshi Hida

Roy H. Nihei AIA, CSI, LEED AP

Ralph E. Portmore

James I. Nishimoto

Stephen Yuen

Linda C. Miki AIA

George I. Atta

Charles Y. Kaneshiro AIA, LEED AP

Jeffrey H. Overton

Christine Mendes Ruotola

James L. Stone, Arch.D., AIA, LEED AP

Katherine M. MacNeil AIA, LEED AP

Tom Young, MBA

Aloha Chair Gabbard, Vice-Chair English, Chair Nishirhara, and Vice-Chair Kahele:

Testimony in Support of HB 1019, SD1

Group 70 International (Group 70) is a Honolulu-based firm of architects, planners, environmental consultants, interior designers and asset managers. Group 70 offers expertise in the planning, design and permitting of sustainable and culturally-appropriate developments. Our mission is to foresee a sustainable future now: to conceive, conduct, complete and continue the best-in-class projects that demonstrate leadership in the global sustainability theater. Our firm has worked on a wide range of projects for renewable energy development in Hawai'i, including solar, wind, hydropower, and biofuels.

Group 70 would like to express our support for HB 1019, HD1, which would help to ensure Hawai'i's energy and food security by increasing the allocated amounts for energy and food security from the environmental response, energy, and food security tax. We believe that in order to support the State's energy conservation goals, we need to make a long-term commitment and investment of financial resources.

We have worked closely with the Department of Business, Economic Development & Tourism's (DBEDT) State Energy Office, on behalf of our clients, to promote and support the development of clean energy projects in Hawai'i. Projects such as these utilize new technologies that will provide clean energy alternatives, thereby helping to make Hawai'i more self-sufficient. DBEDT's Energy Office has provided excellent support and guidance for these projects that are essential to achieving the State's Clean Energy Initiative.

Thank you for the opportunity to comment on this bill.

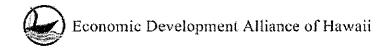
Sincerely,

Subject:

GROUP 70 INTERNATIONAL, INC.

M & Out

Jeffrey H. Overton, AICP, LEED AP Principal, Chief Environmental Planner



March 21, 2011

Hawaii State Legislature State Capitol Honolulu, Hawaii 96813

RE: HB 1019 - RELATING TO SUSTAINABILITY.

Authorizes the revision of allocation from the Environmental Response, Energy, and Food Security Tax. Effective 07/01/11.

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees:

The Economic Development Alliance of Hawaii (EDAH) comprised of representatives from all of the nonprofit Economic Development Boards in each county and the Hawai'i Business Roundtable support the proposals in House Bill 1019.

EDAH is committed to the goals of the Food and Energy Security Act (73). There are large challenges before you. Directing the funding back to the original intent of Act 73 provides the investment to tackle specific projects that ultimately reduce our dependency on fossil fuel and ensure our ability to sustain ourselves from a robust agriculture sector. The continued investment to the act will positively impact the social, environmental and economic wellbeing in our communities. It is only with full and sustained that we will fully realize the benefits that we seek from Act 73.

Respectfully submitted,

Jeanne Skog

Chair

Economic Development Alliance of Hawai'i (EDAH)



Hawaii Solar Energy Association

Serving Hawaii Since 1977

March 22, 2011 3:00PM

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENT

Mark Duda President

COMMITTEE ON AGRICULTURE HB 1019 HD1

TESTIMONY IN STRONG SUPPORT

Aloha Chair Gabbard, Vice Chair English, Chair Nishihara, Vice Chair Kahele, and Members of the Committees:

In 2010, the Hawaii State Legislature passed a keystone clean energy policy intended to provide funding for food and energy security through a surcharge on each barrel of imported oil to Hawaii. Unfortunately, by the time the bill reached its final draft, the amount of money dedicated to these initiatives had been substantially decreased, allocating less than half of the monies collected from the 'Barrel Tax' towards the food and energy security special funds.

In order for Hawaii to succeed in its goal of becoming energy and food self-sufficient, it is imperative that the monies collected from the 'Barrel Tax' be used wisely to build the capacity needed to facilitate this transformation. HSEA strongly supports HB 1019 HD1 as it re - allocates these funds in a manner that is consistent with the original intent Act 73.

Thank you for the opportunity to testify on this measure.

Mark Duda President, Hawaii Solar Energy Association

About Hawaii Solar Energy Association

Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.



2343 Rose Street, Honolulu, HI 96819 PH: (808)848-2074; Fax: (808) 848-1921

February 7, 2011

TESTIMONY

Re: HB1019HD1 RELATING TO SUSTAINABILITY

Chair English, Chair Nishihara and Members of the Committees:

Hawaii Farm Bureau Federation on behalf of our commercial farm and ranch families and organizations across the State supports the reallocation of funds proposed in HB1019HD1, however. OPPOSES any proposal to include coal in the measure

There are many capital improvement projects urgently needed across the state for agriculture. The reason why agriculture supported this measure in 2010 was to secure a more stable source of funding than the general fund for agricultural infrastructure and development. The types of uses identified in law describe it well. This measure will allow us to return to the intent of the law which is also in the interest of the State to increase agricultural viability and Hawaii's self sufficiency for food and energy.

As we seek to increase our infrastructure capacity other laws have provisions that may reduce our capacity. This is true in the case of dams and reservoirs a critical component to water infrastructure across the State. Many of these developments happened in the past few months after the language for food and energy security was passed. With financial challenges to build new infrastructure it is critical to maintain what we already have. Public private partnerships will be critical for this to succeed. We respectfully request amending HRS 141-10(c)3 to read:

The improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity; including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigation systems, and transportation networks;

It should be noted that disbursement of these funds identified above are subject to legislative appropriation.

During prior hearings, there have been proposals to include coal in this measure to fund clean energy development. Currently, our remaining sugarcane operation which is also a renewable energy producer, depended upon by the local utility, uses coal as a supplemental fuel source when there are issues with the biomass or during their maintenance period when biomass is not available. Due to the size of the operation the impact of taxing coal will not be minimal as suggested but will be a major cost item. HC&S is aggressively working towards a transition to greater renewable energy production. Diversion of funds through taxing can slow the purpose down as it increases expenditures in current operations that need to be maintained during the transition. Entities such as this should not be penalized in the name of renewable energy advancement.

We respectfully request your strong support in reallocating the funds, along with the recognition that repair of dams and reservoirs can be an approved use of funds. At the same time, we respectfully request that coal not be included as a taxable petroleum product.

Thank you for this opportunity to provide our opinion on this important matter. If there are questions, please contact Warren Watanabe at 2819718.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 - Telephone/FAX: 247-7753 - Email: wsb@lava.net

Officers

President Warren S. Bollmeier II

Vice-President John Crouch

Directors

Warren S. Bollmeier II WSB-Hawaii

Cully Judd Inter Island Solar Supply

John Crouch SPSI, LLC

Herbert M. (Monty) Richards Kahua Ranch Ltd. TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEES
ON ENERGY AND ENVIRONMENT AND AGRICULTURE

HB 1019 HD1, RELATING TO ENIVRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX

March 22, 2011

Chairs Gabbard and Nishihara, Vice-Chairs English and Kahele and members of the Committees, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 1019 HD1 is to authorize the revision of allocation from the Environmental Response, Energy, and Food Security Tax.

HREA strongly supports this measure with the following comments:

- (1) It will remove the existing contribution to the general fund and thereby provide more funds to support the intended environmental response, energy and food security initiatives and programs
- (2) We note that SB 722 is similar in some aspects, except the amount of barrel tax is left blank, along with the amounts be allocated to the environmental response revolving fund, the energy security special fund, energy systems development special fund, and the agricultural development and food security special fund. Also SB 722 has an additional amount for the climate change task force.
- (3) It will provide a **new source of funding** for the **State Energy Office** that is paramount, as DBEDT has stated that Petroleum Escrow Violation funds will run out at the end of June 2011 and ARRA funds by April 2012.
- (4) While each of the funds and the climate change task force appear to be **deserving of support**, we do not take a position at this time to the appropriate allocation.
- (5) Thus, this is an **important measure** if we are **serious** about achieving our clean energy objectives.
- (6) However, if we are **really serious**, we should increase the tax to at least \$5.00/barrel.

.Thank you for this opportunity to testify.



SENATE COMMITTEE ON ENERGY & ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE

March 22, 2011, 3:00 P.M. (Testimony is 1 page long)

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1 WITH PROPOSED AMENDMENTS

Aloha Chair Gabbard, Chair Nishihara and Members of the Committees:

The Hawai'i Chapter of the Sierra Club *strongly supports* HB 1019 HD1, which re-establishes financing necessary to ensure planning and implementation of Hawai'i's energy and food security security. The bill is a smart and needed improvement to last year's historic policy.

We suggest two changes. First, we suggest including language to fund climate change and adaptation planning (as specified in SB 722).

Second, we recommend including language to impose a proportionate fee on coal imported into the state. Such a change would increase the funding available to invest in commonsense measures to advance clean energy, phase out life-threatening oil and coal, clean up Hawaii's air and water, protect our families, and create new jobs.

By making such a change, dirty coal could pave the way for a clean and prosperous future for Hawaii. A reasonable tax on dirty coal imports would provide a big boost to Hawaii's clean energy sector by encouraging solar panels, wind farms, and other clean energy projects that can create good jobs right here on the islands.

Mahalo for the opportunity to testify.

Submitted by: Shannon Wood, President & Co-Founder Windward Ahupua`a Alliance PLANT A NATIVE TREE CAMPAIGN P.O. Box 6366

Kane'ohe, HI 96744

Voicemail: 808/247-6366; Cellular: 808/223-4481or 808/224-4496 (personal) Website: http://www.waa-hawaii.org; E-mail: mailto:info@waa-hawaii.org Website: http://www.plantanativetree.org; mailto:info@plantanativetree.org

COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair Senator J. Kalani English, Vice Chair

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COMMITTEE ON AGRICULTURE

Senator Clarence Nishihara, Chair Senator Gilbert Kahele, Vice Chair

3 pm Tuesday, March 22, 2011 Conference Room 225

HB 1019 HD1 - RELATING TO SUSTAINABILITY

Authorizes the revision of allocation from the Environmental Response, Energy, and Food Security Tax.

Effective 07/0130

STRONGLY SUPPORT WITH TWO AMENDMENTS

On behalf of the *Windward Ahupua`a Alliance*, a <u>501c3</u> organization which was one of the sponsors of the original "Barrel Tax" bill along with other renewable energy legislation over the past seven years, I support <u>HB 1019 HD1</u> with two key amendments to bring it into line with the *Senate*'s version which probably is not going to be heard in the *House*.

The purpose of <u>HB 1019 HD1</u> is to restore the amount of money taken away during the final hours of the 2010 Session from the "Barrel Tax" bill in order to put into the General Fund to help reduce the deficit.

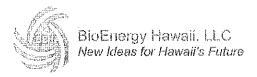
This year's bill would re-establish full funding for food security, renewable energy, and environmental response programs. No funds would go into the **General Fund**.

However, I propose that <u>HB 1019 HD1</u> be amended in two inter-connected ways: The first would be to take the language in the *Senate*'s version - <u>SB 722 SD2</u> - to extend the sunset date of the Climate Change Task Force - <u>ACT 20 - SPECIAL SESSION 2009</u> - to an unspecified date; the second amendment would be to o reduce each of the 45-cent allocations by one cent - or two cents per barrel - to underwrite the work of the Climate Change Task Force.

ACT 20 was never funded after former Governor Linda Lingle's veto was overridden in July, 2009.

Given the situation in the Middle East and in Washington, D.C., as well as the vulnerability of our island state, we need to get going on all these critical issues - including the long-term impacts of rising sea levels, increased storm events, and the impacts on our collective ability to deal with human as well as environmental impacts of climate change.

Mahalo for the opportunity to testify on HB 1019 HD1.



The Senate Committee on Energy and Environment

Committee on Agriculture

Tuesday, March 22, 2011 3:00 p.m. – Conference Room 225

RE: HB 1019, HD1 Relating to Sustainability.

Authorizes the revision of allocation from the Environmental Response, Energy, and Food Security Tax. Effective July 1, 2030

Chair Senator Mike Gabbard, ENE; Chair Senator Clarence K. Nishihara, AGL; Vice Chair Senator J. Kalani English, ENE; Vice Chair Senator Gilbert Kahele, AGL and the Committee Members of the ENE and the AGL:

My name is Guy Kaniho, General Manager of BioEnergy Hawaii, LLC (BEH). A Hawaii limited liability company, which is owned and managed by Pacific Waste, Inc. a Hawaii corporation with its principal offices in Kailua-Kona, Hawaii. I am submitting this testimony in support of HB 1019, HD1.

Increasing the allocated amount of this tax will support the intended purpose of Act 73, which will be a clear benefit to the public. This revenue will enable Hawaii to be more self sustaining and independent with our Food Security.

Thank you for the opportunity to submit my testimony.

RE: HB 1019 HD1

Testimony of Richard K. McQuain

President, Hu Honua Bioenergy, LLC

I strongly support this bill. As an island state, Hawaii is very vulnerable to shipping disruptions of both food and fuel. We need to do all that we can reasonably due to secure the future of our islands. In order for a concerted effort to be maintained, there must be strong leadership from the state. That will not occur unless the staff charged with coordinating and focusing the effort is properly funded. I think this bill is necessary to ensure that the funds are made available and used properly.

VIA WEBSITE - http://www.capitol.hawaii.gov/emailtestimony/

Chairs Gabbard and Nishihara
Vice Chairs English and Kahele
House Committee on Energy and Environmental and Committee on Agriculture
Hawaii State Capitol, Conf. Rm. 225
Honolulu, Hawaii 96813

Re: HB1019 HD1 RELATING TO SUSTAINABILITY

Hearing on Tuesday, March 22, 2011 at 3:00 p.m.

Dear Chairs Gabbard and Nishihara and Vice Chairs English and Kahele:

Honua Power, LLC strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

Honua Power, LLC is in the final stages of development of a 6.64MW renewable energy power plant and has relied heavily on the State of Hawaii's Energy Office throughout the long development process.

Like many private enterprises, Honua Power is generally opposed to increasing taxes; however, energy is a special situation. We believe that the current cost of energy does not account for the significant externalities that exist. That is, those that pay for and consume energy do not bear the full cost of the pollution nor do they bear the full cost of the geopolitical activities necessary to maintain access to imported fuels. In these types of limited circumstances, there is a need for governments to increase the cost of the resource and use those funds to either mitigate the externalities or to fund the development of alternatives. By increasing the effective price of energy and using that tax to fund the development of alternative sources, the state simultaneously reduces short term demand for energy (for sure) and most likely also reduces the long term demand for high externality energy sources such as fossil fuels.

We anticipate that some groups will point out that this type of taxation and redistribution is a slippery slope which will lead to a negative cycle of increased taxes and redistribution of

funds from groups within our community. While we do have sympathy for that argument, it simply fails in the case of energy externalities. At this point in time, there is simply no entity besides the government with the ability to enforce the true cost of energy use upon its users. In fact, in this situation, we believe that the tax does not go far enough and low energy users will continue to bear the environmental and geopolitical costs of high energy users. Honua Power strongly recommends that the government focus its time and energy on ensuring the funds are wisely spent. In this case, that means efficiently funding energy conservation and development of alternative sources.

Honua is able to testify from our recent experience that the State of Hawaii's Energy Office has been working tirelessly and efficiently to support renewable energy projects in Hawaii. The team there directly helped our project with our overall permit strategy and provided specific assistance on multiple occasions over the course of several months on the air permit, solid waste permit, and the conditional use permit. Just as important, when potential investors have sent professional engineers to conduct due diligence on the Honua project, the Energy Office has been willing to meet with these representatives to discuss the State's policies, laws and have facilitated meetings with public officials. Our first hand experience has shown that this type of support is invaluable. Investors are rightly concerned about the level of community support for any renewable energy project and rely upon in person interviews to assess the environment and develop their own confidence in the viability of the project. The Energy Office team of course has a much broader scope of activities, but we believe by providing specific examples, it will help this committee understand more clearly the impact the Energy Office has had and must continue to have on renewable energy projects.

In conclusion, the ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Thank you for the opportunity to offer these comments.

Sincerely,

Tim Mobley

President

gabbard1 - Carlton

From:

Andrea Nandoskar [president@gemhawaii.com]

Sent:

Saturday, March 19, 2011 3:48 PM

To: Subject: ENETestimony HB 1019 HD1

SENATE COMMITTEE ON ENE

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

In June of 2009, Green Earth Media brought the movie FUEL to the Blaisdell Arena to inspire, educate and empower old and young alike to advocate for environmentally benign energy sources for Hawaii. Over 1,200 people attended the film and participated in the discussion immediately afterwards with the film's director and writer, Josh Tickell and its producer, actress Rebecca Harrell. An exciting dialog was jump started that evening which continues today. How can we wean Hawaii off oil (and coal) and create our own clean energy future as quickly as possible? Many in our community have been and continue to work diligently toward this goal.

We at Green Earth Media strongly support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future. We support a legislative philosophy that funds projects, programs and services which support life, health and a clean environment. We support taxing activities that do the opposite. Use the money collected from these taxes to grow more positive outcomes for the good of the whole.

The necessary planning, research and development, and implementation of Hawaii's clean energy future requires up-front investment to be truly successful. We believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.

This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.

We strongly believe the existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.

We strongly support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to testify.

Respectfully,

Andrea Nandoskar President Green Earth Media Tel. (808) 923-2170 info@gemhawaii.com www.gemhawaii.com

TESTIMONY SUBMITTED BY



Joseph Saturnia
President
Island Pacific Energy LLC
(808) 377-4570
joseph.saturnia@islandpacificenergy.com
www.islandpacificenergy.com

COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair Senator J. Kalani English, Vice Chair

COMMITTEE ON AGRICULTURE

Senator Clarence K. Nishihara, Chair Senator Gilbert Kahele, Vice Chair

HB1019 HD1

RELATING TO SUSTAINABILITY

March 22, 2011 3:00PM State Capitol House Conference Room 225 415 South Beretania Street Honolulu, HI 96813

Support for HB1019 HD1- RELATING TO SUSTAINABILITY

Executive Summary

My name is Joseph Saturnia and I am President of Island Pacific Energy, a developer, owner operator of photovoltaic renewable energy facilities in the State of Hawai'i. I am testifying on behalf of Island Pacific Energy in support for HB1019 HD1 - RELATING TO SUSTAINABILITY. We strongly support HB 1019 HD1, to further move Hawai'i towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

Food and Energy Security

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawai'i 2050 Sustainability Plan" and the "Hawai'i Clean Energy Initiative." This in turn will allow Hawai'i to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

In 2009, the energy department played a vital role with Island Pacific Energy to enable Kona Natural Soap and Kokoleka Lani Farms to acquire a photovoltaic system through the USDA Rural Energy for America program. As a result, Kona Natural Soap and Kokoleka Lani Farm is now a Certified Green Business.

Conclusion

Achieving food and energy security is vital to the future of Hawai'i. This measure will provide the consistent, sustained funding to help meet these objectives. Mahalo for the opportunity to testify.

Joseph Saturnia
President
Island Pacific Energy LLC
(808) 377-4570
joseph.saturnia@islandpacificenergy.com
www.islandpacificenergy.com

About Island Pacific Energy

Island Pacific Energy is Hawai'i's Renewable Electric Company[™]. The solar energy systems owned and operated by Island Pacific Energy provide over 1,000,000kWh of clean renewable energy for the people of Hawai'i each year. In recognition of our achievements to make renewable energy more accessible to the people of Hawai'i, Island Pacific Energy received the Governor's Award for Innovation. For more information, please visit http://www.islandpacificenergy.com.

PACIFIC WEST ENERGY LLC

1212 NUUANU #1704 HONOLULU, HI 96817 Tel. 808-927-3608

March 21, 2011

Senator Mike Gabbard, Chair Senator J. Kalani English, Vice-Chair And Members of the Committee on Energy and Environment

Senator Clarence Nishihara, Chair Senator Gilbert Kahele, Vice-Chair And Members of the Committee on Agriculture Hawaii State Capitol 415 S. Beretania Honolulu, HI 96813

Re: HB1019, HD1 - Relating to Sustainability

Dear Chairs Gabbard and English, Vice-Chairs English and Kahele and Members of the Committees,

My name is William Maloney and I am the President and Chief Executive Officer of Pacific West Energy LLC and its affiliate, Pacific West Energy Kauai LLC, the developers of an integrated agriculture to renewable energy project on Kauai. I testify today in support of HB 1019, HD1 to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Pacific West Energy LLC continues to intend to construct a biofuel and renewable energy electricity cogeneration facility on Kauai. In addition to producing biofuels for the local Hawaiian motor fuel market we intend to produce renewable electricity for sale to Kauai Island Utility Cooperative ("KIUC"). As part of our project we also intend to work with beneficiaries of the Department of Hawaiian Homelands on infrastructure development to support the integration of food crops into our agricultural operations, as well as on adjacent lands.

Our Company and our project have benefitted greatly from the support and guidance of the State's Department of Business, Economic Development and Tourism ("DBEDT"), and it is our understanding that this measure is important in their continuing to fulfill their important and vital role as a facilitator of projects relating to sustainability in both energy and food production. We urge you to support HB 1019 HD1 and specifically its inclusion of the specific allocations of the proceeds from taxes raised under Act 73.

Sincerely, William Maloney

William Maloney President & Chief Executive Office Pacific West Energy LLC

Aloha E-Bikes 2615 South King St., Honolulu, HI 96826

Statement of **HENRY JIAO**

before the
COMMITTEE ON ENERGY AND ENVIRONMENT
AND
COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is <u>Henry Jiao</u> and I'm the <u>General Manager of Aloha</u> E-Bikes Corp..

I and My Company strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Enforcing tax laws on imported Oil/Gasoline is an important measure to show government leaderships, and appropriate allocation of the funds to DBEDT will ensure our agency have sufficient funds to support programs in public education, to help Hawaii local businesses in green industry, and ultimately to ensure Hawaii as a state to catch the current tide of the global Green Industry Movement.

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

AND

SENATE COMMITTEE ON AGRICULTURE

March 22, 2011

House Bill 1019, HD 1 Relating to Sustainability

Chair Gabbard, Chair Nishihara, members of the Senate Committee on Energy and Environment, and members of the Senate Committee on Agriculture, my name is Jeff Walsh and I am the President/General Manager of AES Hawaii, Inc. AES Hawaii owns and operates a 180 megawatt (MW) coal-fired electrical co-generation plant located in Kalaeloa on the Island of Oahu. We sell our electricity to Hawaiian Electric Company (HECO) and steam byproduct to Chevron USA for use in its refinery.

AES Hawaii is OPPOSED to the amendments being proposed by Blue Planet. Blue Planet is proposing amendments to House Bill 1019, HD 1 (which increases the allocable portion of the \$1.05 per-barrel tax on petroleum products to the energy security fund and the agricultural development and food development fund) that the existing petroleum tax law be expanded to include a \$5.00/ton tax on coal.

AES Hawaii currently consumes more than 700,000 tons of coal per year to produce approximately 20% of Oahu's annual electricity needs at the lowest cost available. To provide further guidance on this point, we estimate HECO's energy cost of various electricity supply sources on Oahu as follows:

Supplier	Energy Source	Estimated Energy Cost to
		HECO*
AES Hawaii, Inc.	Coal	\$0.0293/KWhr
Kalaeloa Partners L.P.	Petroleum	\$0.1286/KWhr
H-Power	Solid Waste	\$0.1073/KWhr
HECO	Petroleum	\$0.15/KWhr
HECO	Bio-Diesel	\$0.41/KWhr

^{*} Estimates only, extrapolated from public information.

For purposes of environmental protection, AES Hawaii is regulated by the State of Hawaii Department of Health and by the federal Environmental Protection Agency and we are in strict compliance with all environmental protection laws.

The consequences of a \$5.00/ton coal tax to AES Hawaii would be catastrophic. The power purchase agreement between AES Hawaii and HECO does not allow for the pass through of any fuel-related costs to HECO. As such, any tax assessed on the coal used by AES to

produce electrical energy for HECO would have to be borne by AES Hawaii and would cripple its financial business model.

AES Hawaii is deeply committed to protecting the land, air, water and other components of our environment and we operate our plant above and beyond what protections are required by law. The imposition of a per-ton coal tax as suggested by Blue Planet would endanger the continued supply of up to 20% of Oahu's electricity needs. We do not believe the tax will achieve its intended goals but rather generate severe unintended consequences that will have an immediate and disastrous impact on Oahu's electricity market and the public rate payers.

We are in strong opposition to HB 1019 to the extent it is amended to provide for a perton coal tax.

Thank you for this opportunity to testify. Should you require any additional information, please do not hesitate to contact me at 808-682-3419.

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SENATE COMMITTEEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE

Testimony in of KENTON ELDRIDGE Partner, Aina Koa Pono, LLC

March 22, 2011, at 3:00 p.m. Conference Room 225

TESTIMONY IN SUPPORT OF HB 1019, HD 1

Chair Gabbard, Chair Nishihara, and members of the Committees:

Aina Koa Pono ("AKP") supports HB 1019, HD 1, Relating to Sustainability. AKP is a locally-owned biofuel company which is building a biofuel plant in Ka`u, Hawaii. We recently entered into a power purchase agreement with HECO to produce biodiesel from locally grown feedstock. But there are still many hurdles for us to cross related to permitting and the development of the project. We appreciate the assistance that has been provided to us and other similar companies by the Hawai`i State Energy Offfice. We understand that the Hawai`i State Energy Office may no longer be funded after July 1 of this year, but that HB 1019, HD 1 will provide the necessary funding for the Hawai`i State Energy Office to continue its important operations.

If the State of Hawai`i is serious about achieving its renewable energy goals, it must provide businesses with the support of departments such as the Hawai`i State Energy Office. We hope that you will support HB 1019, HD 1 to allow the Hawai`i State Energy Office to continue its operations, and that the bill will be made effective this year, and not in 2030 as currently drafted.

Tel: (808) 675-5636 Fax: (808) 566-5920



American Savings Bank Tower 1001 Bishop Street, Suite 2400 Honolulu, HI 96813 808-531-7094 Fax: 808-528-2368

21 March 2011

Statement of <u>DAVID ATKIN</u> PARSONS BRINCKERHOFF INC.

before the

COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is David Atkin and I'm the manager of a project for the State Energy Office that seeks to expedite the environmental permitting process for renewable energy facilities. My company opened its office in Honolulu in 1968, and since then has partnered with the State on a variety of important assignments, including the H-3 highway and the Honolulu High Capacity Transit project.

The events now occurring in Libya and the nuclear facility in Japan remind us how important it is that we achieve energy security. I strongly support HB 1019 HD1, to further move Hawaii towards energy security. Act 73 (2010) states that this goal as a clear public benefit.

The ability of the State's Energy Office to have consistent, sustained funding is necessary to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." We need a strong energy office, with sufficient, stable funding, to maintain a programmatic view as our state undergoes the energy transformation that has already begun. Without a statewide, public interest perspective, our energy transformation will be slower, less coordinated, less efficient, and more expense, than it need be. We need intelligent, passionate, motivated individuals on the government payroll, in the State Energy Office, to continue to look 2, 3 and 10 steps ahead, to smooth the way for private sector partners to actually accomplish the energy transformation.

Let's take, for example, work I am currently doing for the State Energy Office. We are putting together a manual, and a web site, the subject of which is environmental permits for renewable energy projects. This will provide developers, contractors, agencies, and other stakeholders with one stop for the basic information needed on the permitting process for residential, commercial and industrial renewable energy projects.

Over a Century of Engineering Excellence



How does this investment, now in progress, translate into future efficiency?

- 1. Agency staff can refer applicants to a manual and web site, saving staff time
- 2. When the web tool is finished, applicants will be able to receive a customized list of the environmental permits they will likely need, and how those permits should be scheduled in relation to each other.
- 3. Applicants can review environmental requirements in detail from one web site, allowing them to be more prepared when they start the environmental review process and more educated about what to expect.

The fact that Hawaii has invested in these educational tools for renewable energy developers sends a strong message that Hawaii is business-friendly for renewable energy projects.

Our goal of 70% clean energy by 2030 needs an orchestra conductor. It needs an accountant to keep track. It needs a cheerleader. It needs technology transfer. It needs networking opportunities. It needs seed money for strategic investments, such as investments in permitting efficiencies. These are all functions being provided by the State energy office, but they need more help to meet the goal. Our goal is ambitious. It doesn't just happen. We need strong, stable, consistent funding for the Energy Office if Hawaii's worthy energy transformation goal is to be achieved.

Thank you for the opportunity to offer these comments.



H.B. 1019, HD 1 Relating to Sustainability

Comments to the Senate Committee on Energy and Environment and Committee on Agriculture

March 22, 2011

Aloha Senator Gabbard, Senator Nishihara, and Members of the Committees. My name is Kekoa Kaluhiwa and I am the Director of External Affairs for First Wind.

First Wind strongly supports HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative" (HCEI). This in turn will allow Hawaii to reduce the State's heavy dependence on imported fossil fuels and achieve other goals.

The Hawaii State Energy Office, under the Department of Business, Economic Development and Tourism (DBEDT), plays a crucial role in supporting and advocating the goals of the Hawaii Clean Energy Initiative. In particular, it serves as the accepting state agency for the Environmental Impact Statement for First Wind's 70 megawatt (MW) Kawailoa wind energy project currently under development. Expected to be constructed in 2012, this project should provide enough clean, renewable energy for approximately 15,000 homes on Oahu.

Allowing for sustained funding of the Hawaii State Energy Office is clearly necessary to support the goals of the HCEI. It sends a clear message to Hawaii's residents and business community that the State is serious about combating the increasing financial and environmental costs in importing fossil fuels.

Mahalo for this opportunity to express First Wind's strong support of H.B. 1019 HD1.



Committee: ENE/AGL

Rm: 225

Hearing Date: 3/22/2011 3PM

Measure: HB 1019

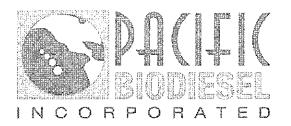
Position: SUPPORT WITH AMENDMENTS

Dear Chair Gabbard, Chair Nishihara and Honorable Members of the Committees,

Moku Power, LLC <u>SUPPORTS</u> HB 1019 to reapportion the existing \$1.05 barrel tax w/ a greater percentage allocated to clean energy development.

This bill improves last year's historic carbon tax law by requiring that the collected funds be dedicated solely to Hawaii's food and energy security. Please expand the bill to include an equivalent tax on the 1.6 billion pounds of coal that Hawaii imports annually, with revenue likewise directed toward achieving Hawaii's energy security.

sincerely, Shawn James Leavey Moku Power, LLC shawn@mokupower.com



Pacific Biodiesel, Inc.

40 Hobron Avenue Kahului, Hawaii 96732 (808) 877-3144 (808) 877-5030 Fax www.biodiesel.com

COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

In SUPPORT of HB1019 HD1 RELATING TO SUSTAINABILITY

Testimony of Pacific Biodiesel Inc.

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Jenna Long, Hawaii Sales Manager at Pacific Biodiesel.

I and my company strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Thank you for the opportunity to offer these comments.

Mahalo,

Jenna Long Sales Manager Pacific Biodiesel, Inc.



Kaua'i made renewable energy from biomass: long-term lower electric bills on over 11% of KIUC's energy produced, 39 agricultural jobs, 20% of Kauai's firm power sustainably and no importation of 3,700,000 gallons of fossil fuel per year – good for the people of Kauai'

Statement of ERIC KNUTZEN GREEN ENERGY TEAM LLC

before the

COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Eric Knutzen and I'm the Authorized Representative of Green Energy Team LLC. Our company, together with our affiliated companies, has several renewable projects on Kaua'i, including a 6.7 net MW biomass-to-energy project with a Power Purchase Agreement executed with KIUC on January 25, 2011. Upon production start in late 2013, we represent over 20% of the firm power on Kaua'i.

I and Green Energy Team LLC strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

The Energy Office provides profound support regarding not only navigating the complex and challenging permitting entitlement process, but also in directly providing relevant



Kaua'i made renewable energy from biomass: long term lower electric bills on over 11% of KTUC's energy produced, 39 agricultural jobs, 20% of Kauai's firm power sustainably and no importation of 3,700,000 gallons of fossil fuel per year – good for the people of Kauai'i

information pertinent to moving renewable energy projects forward. We humbly and sincerely plead for your support with regard to HB1019 HD1

Thank you for the opportunity to offer these comments.

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

More than 95 percent of Hawaii's overall energy comes from imported oil and coal, costing us billions every year. Please act swiftly to get Hawaii off of fossil fuel.

I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.

The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.

This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.

The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.

I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Mahalo,

Bill Brooks
President
Energy Specialists Hawai'i, Inc.
P.O. Box 308
Holualoa, HI 96725
808.938.2136
billb@energy808.com
www.energy808.com



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HB 1019 HD1 RELATING TO SUSTAINABILITY

PAUL T. OSHIRO MANAGER – GOVERNMENT RELATIONS ALEXANDER & BALDWIN. INC.

MARCH 22, 2011

Chair Gabbard, Chair Nishihara, and Members of the Senate Committees on Energy & Environment and Agriculture:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 1019 HD1, "A BILL FOR AN ACT RELATING TO SUSTAINABILITY." We understand that an amendment may be proposed to include coal as an item that will be subject to the present \$1.05 per barrel tax on petroleum products. We respectfully oppose this proposed amendment.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years and is Hawaii's last remaining sugar plantation. HC&S has approximately 34,000 acres in active cultivation and employs about 800 residents. While Hawaii's many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Despite a current up tick in sugar prices, history has proven that commodity sugar prices will remain relatively flat, as they have over the last few decades, despite

increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity sugar to the production of specialty sugar and bio-based products. In addition to being the main supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

HC&S also generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and provides electricity to Maui Electric Company (MECO) for general community use. The source of fuel for this biomass electricity is bagasse, the residual fiber of the sugar cane plant. Not only does HC&S provide approximately 6% of MECO's total electricity, HC&S is a firm power source to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

While HC&S's biomass power generating facilities are fueled primarily by sugar cane bagasse, there is a need for these generating facilities to periodically burn an amount of coal to maintain stable boiler operations (biomass fuel quality can vary depending on harvesting and mill operations), to remain in compliance with air emission regulations, and to meet firm power commitments to MECO, particularly during the off season maintenance period when bagasse is not available.

In that the proposed amendment will impose a new tax on the coal that HC&S uses to supplement its production of renewable energy, and with the purchase power agreement between HC&S and MECO prohibiting the pass through of any new taxes, the proposed amendment will result in a direct increase in the overall cost for HC&S to

produce its renewable energy for its internal operations and as a firm power source provider to the MECO. This new tax will add to the significant challenges that HC&S is presently facing in its efforts to continue as a firm power source provider of renewable energy to the Maui community and as a viable employer of over 800 Maui residents.

We respectfully request that the proposed amendment to include coal as an item that will be subject to the present \$1.05 per barrel tax on petroleum products **not be**incorporated into this bill. Thank you for the opportunity to testify.

Testimony for ENE/AGL 3/22/2011 3:00:00 PM HB1019

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: janice palma-glennie

Organization: Individual Submitted on: 3/16/2011

Comments:

This is a crucial bill. Please support our state's self-sufficiency.

Mahalo.

Testimony for ENE/AGL 3/22/2011 3:00:00 PM HB1019

Conference room: 225

Testifier position: oppose Testifier will be present: No Submitted by: gregory swartz Organization: Individual Submitted on: 3/16/2011

Comments:

The barrel tax increase was a general tax increase and was not intended to be allocated to special environmental causes being advocated by special interest groups.

Testimony for ENE/AGL 3/22/2011 3:00:00 PM HB1019

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Carolyn Knoll Organization: Individual Submitted on: 3/17/2011

Comments:

Great bill!! We must increase our food self-sufficiency.

Testimony In Support of HB1019 HD1 To the Senate Committees on Energy and Environment and Agriculture March 22, 2011, 3:00 pm Room 225

Chairs Gabbard and Nishihara and Vice Chairs English and Kahele and members of the committees, my name is Michael Hamnett. I am Executive Director of the Research Corporation of the University of Hawaii and a Research in the Social Science Research Institute of the University of Hawaii but I am submitting this testimony as an individual.

I have been involved in energy research and policy planning in Hawaii for over twenty years. During that period, Hawaii has become more dependent on imported petroleum to meet its energy needs. In the past several years, the Legislature and the Public Utilities Commission have put policies in place to encourage energy conservation and efficiency and development of renewable energy.

These policies and the tax incentives established by the Legislature and PUC are finally starting to result the development of renewable energy projects, primarily in the electricity sector. They are doing so with very active facilitation through county and state permitting processes by the State Energy Office. Among many other duties aimed at implementing Hawaii's clean energy goals, the Energy Office is tracking 67 renewable energy projects and is working with many of those projects to secure permits from county governments, Department of Health, Department of Land and Natural Resources and other state agencies. The Energy Office has gained a great deal of knowledge about and experience with securing permits for a wide range of energy technologies. Staff in that office have also built a level of trust with the regulatory agencies that is almost unprecedented and is clearly bearing fruit.

As Richard Lim stated in his testimony on February 28, federal funding for the State Energy Office is running out. If adequate funding to support the Energy Office is not provided through HB1019, many of the projects just getting started will stall and the momentum to reduce our dependence on imported oil through renewable energy will be lost.

It is imperative that the Energy Office be adequately supported and HB1019 will do that. Therefore, I strongly support adoption of HB1019.

Thank you for the opportunity to submit testimony.

Michael Hamnett

Statement of Betsy Cole before the

COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011, 3 p.m. State Capitol, Conference Room 225 in consideration of

HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Betsy Cole and I'm the Deputy Director of The Kohala Center and a member of the Hawaii Energy Policy Forum.

I strongly support HB 1019 HD1 to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

There is a great deal of public and institutional support for increased energy and food security in Hawaii as embodied in the goals of the "Hawaii 2050 Sustainability Plan," the "Hawaii Clean Energy Initiative," and numerous Hawaii County community development plans. We know that our economy bleeds billions of dollars because of our high dependence on imports and that, in order to make a substantial societal shift to greater self-reliance in the long-term, we must invest now in renewable energy strategies, agricultural infrastructure, and the human capital to implement desired changes. HB1019 HD1 is a small positive step in this direction; it needs your support.

Thank you for the opportunity to offer these comments.

Statement of Eileen Peppard Ellis, private citizen Before the COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Eileen Peppard Ellis, writing as a private citizen

I strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

The world has changed rapidly in recent decades and it is imperative that we not delay our decisions to change our energy policies. The future of our environment, economic welfare, and national security depend on the choices our elected representatives make <u>today</u>.

Thank you for the opportunity to offer these comments.

Sincerely,

Eileen Peppard Ellis

gabbard1 - Carlton

From:

Ben Discoe [ben@vterrain.org]

Sent:

Saturday, March 19, 2011 3:30 PM

To:

ENETestimony

Cc:

info@dwighttakamine.com

Subject:

In strong support of HB 1019 HD1 with coal amendment

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M.
Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

I strongly support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.

The existing law should be expanded to include a tax on coal imports. I was shocked to learn that Hawaii still imports tons of coal every year. Taxing this coal is an excellent source of funds for the transition to cleaner energy sources.

I would also support increasing the carbon tax on both oil and coal to accelerate Hawaii's clean energy future. \$1.05 a barrel for oil is a good start, but not sufficient for the scale of the problem.

Thank you for the opportunity to testify.

Ben Discoe Ahualoa, Big Island

gabbard1 - Carlton

From:

Brian Bell [reachbrianbell@yahoo.com]

Sent:

Saturday, March 19, 2011 6:28 PM

To:

ENETestimony

Cc:

Rep. Calvin Say; Sen. Les Ihara, Jr.

Subject:

Testimony in support of HB 1019 with the coal amendment

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.

The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.

This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.

The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.

I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to testify.

Brian Bell 4626 Sierra Dr Honolulu, HI 96816 808-227-7087

gabbard1 - Carlton

From:

Dana Anderson [dana2854@gmail.com]

Sent: To: Saturday, March 19, 2011 12:48 PM ENETestimony

Subject:

Support for Relating to Sustainability

Representative MIKE GABBARD, Chair Representative, Vice Chair Committee on ENE - Energy and Environment

From: Dana Anderson Support for Relating to Sustainability 2854 Park St. Honolulu, Hawai\'i, 96817

Date: Saturday, March 19, 2011

Subject: Support for Relating to Sustainability

I strongly support HB 1019 HD1, to further move Hawaii towards energy and food security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve energy sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Thank you for supporting a sustainable future for Hawaii.

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

Key points:

- 1. I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.
- 2. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.
- 3. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.
- 4. The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.
- 5. I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to testify.

David A. Parish 1164 Bishop St. Ste. 126 #17 Honolulu, HI. 96813 Tel: (808)239-8540

TESTIMONY OF GERALD A. SUMIDA, ESQ. COMMITTEE ON ENERGY AND ENVIRONMENT AND THE COMMITTEE ON AGRICULTURE THE STATE SENATE

ON

H.B. NO. 1019, H.D. 1 RELATING TO SUSTAINABILITY MARCH 22, 2011

Mr. Chairmen and Members of the Committees:

I am Gerald A. Sumida, a partner in the Hawaii law firm of Carlsmith Ball LLP, and also the Chair of the Steering Committee of the Hawaii Clean Energy Initiative ("HCEI"). Over the past several years, I have had the opportunity to be deeply engaged in assisting in the successful development of renewable and clean energy projects in our State of Hawaii and am very aware of the importance of these developments and the HCEI's clean energy goal to the future of our State. I am therefore very pleased to present testimony in favor of H.B. No. 1019, H.D. 1, which seeks to amend H.R.S. Section 243-3.5 to increase the amounts from the tax involved that are allocated to the energy security special fund and the agricultural development and food security fund.

Hawaii as a State and as a people is embarked on a remarkable experiment in a unique formal partnership with the U.S. Department of Energy to attain the Hawaii Clean Energy Initiative goal of meeting by 2030 at least 70% of our State's energy and transportation needs from clean energy sources. This highly ambitious -- but doable -- goal stems directly from our almost total dependence on imported fossil fuels to meet our energy and transportation needs. We know very well the dangers that this dependency presents for Hawaii: The highly volatile price for fossil fuels, which only recently hit \$147 per barrel of oil; the grave vulnerabilities to any disruption in our oil supplies; the outflow of billions of dollars from our State's economy to pay for the oil that we import, and the negative multiplier effect that this imposes on our presently fragile economy; and the pollution and greenhouse gas emissions from the production, transport and combustion of imported fossil fuels, with medium-term and long-term consequences for our State and planet.

At the same time, we have tremendous indigenous renewable energy resources in Hawaii. We have already begun to use our geothermal, wind and solar resources to supplant fossil fuels in our electrical generation. These developments will hopefully be supplemented by additional resources such as biomass, biofuels, ocean thermal energy conversion (OTEC), and wave and other hydrokinetic energy resources. Equally important are energy conservation and efficiency measures, the introduction of hybrid and electric vehicles and other initiatives. Moving all of these efforts -- both commercial developments as well as continuing research, development and demonstration projects -- is an increasingly widespread public support and a committed political will to reduce our dependency on imported fossil fuels and increase our use of our own indigenous renewable resources. The awareness that gave rise to these critical efforts to move toward energy independence for Hawaii sparked many years ago in the immediate aftermath of the OPEC oil crisis "shock" in 1973-1974, when discussions of "peak oil" also began in earnest. Today, and after several subsequent "oil shocks", Hawaii has a unique public-private-community partnership that is pushing all of these initiatives toward the ultimate goal of energy independence.

The unique State of Hawaii-U.S. Department of Energy partnership is an integral part of the Hawaii Clean Energy Initiative. The HCEI itself is a public-private-community partnership that

spans the federal. State and county governments, the private sector, the academic institutions, the military, non-governmental and civil society groups that together are identifying and assessing concrete approaches to achieving the HCEI's goal of using clean energy resources to meet 70% of Hawaii's energy needs by 2030. This broad-based effort is moving forward within the context of legislative frameworks such as the Renewable Portfolio Standards ("RPS"); administrative agency initiatives and mandates formulated by the Public Utilities Commission; executive department programs to educate, support and facilitate the use of energy efficiency measures and the commercial development of renewable energy resources; non-governmental and civil society initiatives to promote awareness and use of energy savings devices as well as help to identify policy issues and choices involved in moving toward the 70% clean energy goal; academic institutions engaging in exploring technological clean energy innovations as well as scientific and policy research on developing our renewable resources; private sector initiative projects to commercialize renewable energy resources, including wind, solar and geothermal resources, and to demonstrate the feasibility of still other renewable energy resources; and the U.S. military in Hawaii moving significantly in increasing energy efficiencies and incorporating clean energy even for war fighting military equipment.

The State -- including the Legislature, the State executive departments and the County councils and executive departments -- plays an essential role in these efforts, articulating the facilitating goals and policies and providing resources. The private sector seeks to realize those policies and goals by developing renewable energy resources, including providing electric vehicles, on a commercial basis. These private sector initiatives can only be effective within a comprehensive legal and policy framework that supports these developments. The programs, especially those of the Department of Business, Economic Development and Tourism ("DBEDT") in this broad spectrum of energy initiatives, have been critical to the progress that the State has made toward energy independence. From the early 1970s, DBEDT has been a leading agency, supported strongly by the Legislature and successive State administrations, in maintaining and expanding these programs to enhance Hawaii's ultimate energy independence and to what we now refer to, in short hand, as Hawaii's 70% Clean Energy Goal.

But sustaining these vital programs and initiatives requires concrete resources. Up to now, Hawaii has benefited significantly from federally-sourced funds to support a substantial part of DBEDT's State Energy Office personnel and programs. This has been supplemented by State funding, including funding sources provided by Act 73, Sess. Laws of Hawaii, enacted in 2010. However, those federal funds will end very shortly. It is therefore essential that funding be found to continue these key DBEDT programs, especially the State Energy Office. H.B. No. 1019, H.D. I will provide this funding by increasing the amounts to be allocated to each of the Energy Security Special Fund under H.R.S. § 201-12.8, and the Agricultural Development and Food Security Special Fund under H.R.S. § 141-10. These funds embody the close interrelationship between energy security and food security in our State, and both DBEDT's programs and the HCEI's scope encompass these complementary relationships between energy security and food security.

H.B. No. 1019, H.D. I will continue these vital programs that DBEDT and the State Energy Office are providing, in close cooperation with the strategic allies that I mentioned above in this Statewide effort. A deepening Statewide momentum toward achieving Hawaii's 70% Clean Energy Goal has been created and continues to strengthen. The development of several major wind farms on Oahu and Maui; major solar projects on Oahu, the Big Island and Kauai; the expansion of geothermal production on the Big Island; the development of biomass and biofuel projects on each of the islands, all evidence what has been started and must continue. It is therefore critical for Hawaii's future that

these DBEDT's programs continue uninterrupted. Hawaii has attained an international recognition for its ambitious but essential goal of 70% Clean Energy by 2030. H.B. No. 1019, H.D. 1 will sustain these efforts and will strongly reaffirm our commitment to energy independence.

I therefore respectfully request your favorable action on H.B. No. 1019, H.D.1 and look forward to Hawaii's successful attainment of energy independence in the not too distant future.

Thank you very much for the opportunity to present this testimony to your Committees.

Gerald A. Sumida, Esq. Carlsmith Ball LLP ASB Tower, Suite 2200 1001 Bishop Street Honolulu, Hawaii 96813 Tel: (808) 523-2528

Fax: (808) 523-0842

Email: gsumida@carlsmith.com

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

We support HB 1019 HD! with coal amendment.

We believe this state must do everything possible to move away from our dependence on imported oil and coal.

Thank you for the opportunity to testify.

Duane & Sarah Preble 3347 Anoai Place Honolulu HI 96822

988-7500

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

I support HB 1019 HD1, increasing the percentage of the <u>existing</u> oil tax that is used to fund our clean energy future. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative.

However, <u>I do NOT support new additional taxes</u> on existing fuel sources at this time of economic hardship. <u>I DO support diversion of taxes</u> from other social programs to clean energy initiatives.

Thank you for the opportunity to testify.

Jack Bennett 1717 Mott-Smith Dr. Apt. 1412 Honolulu, HI 96822 Ph: (808) 620-5735

HB 1019 HD1

Representative MIKE GABBARD, Chair Representative, Vice Chair Committee on ENE - Energy and Environment

From: James Haley Support for Relating to Sustainability 304 Iliwahi Loop Kailua, Hawaii, 96734

Date: Sunday, March 20, 2011

Subject: Support for Relating to Sustainability

In any undertaking cash flow is vital. HB 1019 provides for the monies necessary to plan and implement the steps necessary to develop our natural energy resources. Please support this bill.

Representative MIKE GABBARD, Chair Representative, Vice Chair Committee on ENE - Energy and Environment

From: Jane Yamashiro Support for Relating to Sustainability 6770 Hawaii Kai Drive #1205 Hońolulu, HI, 96825

Date: Saturday, March 19, 2011

Subject: Support for Relating to Sustainability

I strongly support HB 1019 HD1, to further move Hawaii towards energy and food security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

We need your support to ensure that there is consistent movement toward creating a sustainable Hawaii with secure food sources and growth in agricultural development.

Thank you for supporting a sustainable future for Hawaii.

HB 1019 HD1

Representative MIKE GABBARD, Chair Representative, Vice Chair Committee on ENE - Energy and Environment

From: Kate Miller LEED AP Support for Relating to Sustainability 421 MIddlecrest Rd Lake Oswego, Or, 97034

Date: Saturday, March 19, 2011

Subject: Support for Relating to Sustainability

I strongly support HB 1019 HD1, to further move Hawaii towards energy and food security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State%u2019s goals in the %u201CHawaii 2050 Sustainability Plan%u201D and the %u201CHawaii Clean Energy Initiative.%u201D This in turn will allow Hawaii to measurably achieve energy sustainability and to reduce the State%u2019s heavy dependence on imported fossil fuels.

Hawaii has the most expensive electricity in the country and without a transition to a more sustainable resource mix, you will have greater poverty. The transition time is now.

Thank you for supporting a sustainable future for Hawaii.

Dear Honored Representatives,

As a concerned citizen, I urge you to support HB 1019 & help Hawaii develop clean energy.

Thank you,

Kathy Shimata 3453 Pawaina St Honolulu 96822

Statement of Russell Castagnaro_before the COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 @ 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Russell Castagnaro and I am writing in support of the food energy and security bill changes.

I strongly support HB 1019 HD1, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

It is clear that the intent of Act 73 was to fund energy and food security. It is also clear that the current \$.15 per barrel equivalent that currently goes to energy funding will not facilitate Hawaii's decreased dependence on imported fuels to the levels that the legislature and administration have committed to. Please raise the allocated amounts of the barrel tax to \$.45 per barrel equivalent for each of the energy and food security.

Thank you for the opportunity to offer these comments.

Russell Castagnaro

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Vince Kana'i Dodge

Submitted on: 3/20/2011

Comments:

Re: TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Aloha Chairs Gabbard and Nishihara and members of the Committees:

I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future because this is a "put your money where your mouth is" bill. Enough talk. The reality is that the necessary planning, research and development, and implementation of Hawaii's clean energy future require upfront investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.

HB1019 HD1 among other purposes will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.

The existing law needs to be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.

I support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. Clean energy is like good health- invest now = prevention, or have a crisis later and pay heavily.

Since either way we the tax payers are going to pay for it do your job and represent us.

Pass HB1019 HD1.

mahalo nui,

Vince Kana`I Dodge

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Nancy Davlantes

Organization: Individual Submitted on: 3/21/2011

Comments:

When the \$1.05 per barrel tax was passed last year, not enough was dedicated to clean energy. This bill would ensure that a greater percentage is allocated to clean energy by requiring that the collected funds be dedicated primarily to Hawaii's food and energy security. I think this measure should also include an equivalent tax on coal imports, with revenue likewise directed toward reclaiming Hawaii's energy security.

Testimony for ENE/AGL 3/22/2011 3:00:00 PM HB1019

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Carolyn Knoll Organization: Individual Submitted on: 3/20/2011

Comments:

It's critical that more money is allocated to clean energy. This bill improves last year's historic carbon tax law by requiring that the collected funds be dedicated primarily to Hawaii's food and energy security. We need this bill!!

Testimony for ENE/AGL 3/22/2011 3:00:00 PM HB1019

Conference room: 225

Testifier position: support
Testifier will be present: No
Submitted by: Michael Reed Gach

Organization: Individual Submitted on: 3/20/2011

Comments:

I support this bill requiring that collected funds be dedicated primarily to Hawaii's food and energy security.

Conference room: 225

Testifier position: support
Testifier will be present: No
Submitted by: anthony aalto
Organization: Individual
Submitted on: 3/20/2011

Comments:

Aloha Chairs Gabbard and English and members of the committees,

Thank you for this opportunity to testify in strong support of this bill. The Legislature already made a historic commitment in 2010 by passing the barrel tax. Now is the time to double down on that commitment.

Unfortunately there are those who argue that preservation of the the environment is a luxury that can only be afforded when economic times are good. But our biggest industry, tourism, is utterly dependent on preserving the 'aina and our extraordinary reliance on imported food and energy leaves us extremely vulnerable to inflation and supply disruptions that will increasingly hurt our economy. Replacing those imports with locally produced food and energy will strenthen our economy and create thousands of jobs.

Last year the excuse of the recession was used to justify clawing half these funds back to benefit the General Fund. This is a budgetary strategy of eating our own seed corn.

As you know, each year we send more than ten billion dollars of our hard earned money out of these islands to pay for imported energy and food, purchased from huge corporations that do not reinvest in our economy. Every dollar spent instead on locally produced food and energy is a dollar that creates local jobs.

If anything this bill is too timid. Please consider raising the barrel tax to \$2, \$3 or more, to reflect the true price of imported energy and please expand this tax to cover imported coal.

Mahalo anthony aalto

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Teri Skillman Organization: Individual Submitted on: 3/19/2011

Comments:

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

More than 95 percent of Hawaii's overall energy comes from imported oil and coal, costing us billions every year. We must act swiftly to get Hawaii off of fossil fuel. Please tap the source of our problem to fund our solutions.

Blue Planet Foundation conducted market research in December 2009, March 2010, and December 2010 to discern the level of public support for a barrel tax for clean energy investment. The statewide survey of residents found broad support for a barrel tax with roughly 70% supporting a tax of some amount.

The average level of support was equivalent to a \$5 per barrel tax. Forty-five percent of residents supported paying an additional \$15 on their monthly energy bills, equivalent to a \$9 per barrel tax. These findings should provide comfort to decision makers wrestling with how to develop funding for Hawaii's clean energy future—Hawaii's residents are willing to pay to wean Hawaii from its oil dependence.

Statement of Eric Ching CC Repair & Maintenance Services Inc. before the COMMITTEE ON ENERGY AND ENVIRONMENT AND COMMITTEE ON AGRICULTURE

Tuesday, March 22, 2011 3 p.m. State Capitol, Conference Room 225

in consideration of HB1019 HD1 RELATING TO SUSTAINABILITY

Good morning Chairs Gabbard and Nishihara, Vice Chairs English and Kahele, and Members of the Committees. My name is Eric Ching and I'm a concerned resident of Hawaii.

I support the intent of both the House and Senate bills that request for monies to be redirected from the general fund to specific goals that strive for sustainability as it relates to food and energy for Hawaii. Fiscal responsibility is also an important aspect of sustainability, so please weigh current programs that receive tax credits and rebates that are currently funded or withheld from the general fund in your decision. I would not want to see the positives aspects of current programs compromised by the proposed redirection of general funds in order to fund initiatives that have not proven to be effective as Hawaii pursues such aggressive goals.

I was encouraged to provide this testimony because it was said it would help to provide leadership with resources in these areas. I am a true believer that it will take great leadership to navigate these complex issues.

Thank you for the opportunity to offer these comments.

TO: SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE, March 22, 2011, 3:00 P.M. Room 225 DECEMBER 22, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011, 2011

Submitted electronically to ENETestimony@capitol.hawaii.gov

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS -

Chairs Gabbard and Nishihara and members of the Committees: "

My name is CYNTHIA A. LOWRY, and I received my doctorate in political science, specializing in the political economy of clean energy, in 1990 from UH-Manoa through a four-year East-West Center scholarship. I initially moved to Hawaii in 1970 to begin my graduate work at UH-Manoa.

From 1995 to 2007 I worked at a senior level for the U.S. Agency for International Development on designing, managing and measuring progress in implementing clean energy programs for the federal government, in partnership with senior energy officials of 12 developing economies in the Asia-Pacific region.

While bold goals and dedicated teams of professionals working hard on weaning economies and households off of serious fossil fuel dependencies are admirable, an adequate and dependable day-to-day funding source to implement clean energy programs with is where the rubber really hits the road.

And on this measure the State of Hawaii, with the worst fossil fuel dependency ratio in the U.S., has been failing miserably, overly relying until now on federal stimulus monies that are about to disappear, and not putting greater priority on ensuring adequate and reliable state and local funding sources to move more efficiently and effectively from the talk-the-talk phase to the walk-the-walk phase of this critically important endeavor for Hawaii's future.

Prior to resigning in late 2007 from USAID for health and other personal reasons, and returning to live in Hawaii again, I was able to personally witness multiple developing economies in South and East Asia reach their bold clean energy goals at breathtaking speeds, with adequate and reliable funding sources as a critical foundation supporting our clean energy program partnerships, I am now submitting written testimony in strong support of HB 1019 HD1, as follows:

Key points:

- 1.1 support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.
- 2. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the

- best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.
- 3. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.
- 4. The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.
- 5.1 would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to testify.

Cynthia A. Lowry PhD 47-329 Lulani St. Kaneohe HI 96744 Tel. 808-744-2741 H/O SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Chairs Gabbard and Nishihara and members of the Committees:

- 1. I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.
- 2. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.
- 3. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.
- 4. The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.
- 5. I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to express these points.

Bob Yamamura Regional Director of Partnership Marketing Asia/Pacific Region SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Dear Chairs Gabbard and Nishihara and members of the Senate Committees on Energy and the Environment and Agriculture:

In order for our state to reach its clean energy goals by 2030:

- 1. I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.
- 1. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.
- 2. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.
- 3. The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.
- 4. I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Thank you for the opportunity to testify.

Phyllis Robinson, Ed.D. 3505A Malina Place Kihei, HI 96753 (808) 874-1239 cell: (808) 647-4066

TESTIMONY IN STRONG SUPPORT OF HB 1019 HDI, with Amendments

Chairs Gabbard and Nishihara and members of the Committees:

Looking at national tragedies over the past year relating to our addictions to fossil fuel use - horrendous coal mine deaths, oil rig deaths and environmental destruction - should be a grim reminder of what Hawaii needs to do: Be at the forefront of weaning ourselves from fossil fuel. HB 1019 can move us forward to do it. We need to continually support upfront investment of clean energy. And this bill can help in a fairly painless way. The bill will reapportion a greater percentage of last year's barrel tax to clean energy - which was the original intent of the bill and should be reinstated. The bill could also impose a coal tax: a good idea and overdue. The revenue generated from a coal tax could continue our progress toward financing clean energy. Something we must do to establish Hawaii as at the cutting edge of clean energy development. We most also consider the high price of NOT financing clean energy and not just in dollars. The human and environment toll generated from fossil fuel dependency exacts the highest price imaginable. Like everyone, I hate to pay more at the gas pump. Like most people I can not afford a hybrid or electric car. But, high gas prices do force me to drive less, without sacrificing anything. And knowing a fraction of my gas cost goes towards clean energy, makes it a bit more palatable.

Please support HB 1019. Thank you for your time.

Aloha, Kim O Mullen 363 Auwinala Road Kailua

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE March 22, 2011, 3:00 P.M. Room 225

TESTIMONY IN STRONG SUPPORT OF HB 1019 HD1, WITH AMENDMENTS

Aloha Chairs Gabbard and Nishihara, and members of the Committees:

I am writing in strong support of HB 1019 HD1, which would increase the percentage of the existing oil tax that is used to fund our clean energy future. Energy security, perhaps the most powerful by-product of a clean energy future, would benefit the state of Hawaii both financially and in protecting its natural resources. The necessary planning, research and development, and implementation of Hawaii's clean energy future requires up-front investment and the natural way to achieve this would be by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.

HB 1019 HD1, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.

I respectfully strongly recommend that the measure be amended such that the existing law be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.

The cost of coal to human health and the environment is even greater than previously realized, as detailed in a comprehensive new study by the Center for Health and the Global Environment at Harvard Medical School (http://chge.med.harvard.edu/programs/ccf/documents/MiningCoalMountingCosts.pdf). The best estimate of the impacts of coal are costing the U.S. public \$345 billion annually, which translates into 18 cents/kWh over the Current Market Price for coal-powered electricity. Clearly, a tax on coal imports is not only justified, but logical.

I also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Mahalo for the opportunity to testify.

Joy Leilei Shih Department of Oceanography Univesity of Hawaii at Manoa 3267 Mokihana Street Honolulu, HI 96816 joyshih@hawaii.edu (650) 380-5482

Testimony In Strong Support of HB1019

- 1. I support HB 1019 HD1, increasing the percentage of the existing oil tax that is used to fund our clean energy future.
- 2. The necessary planning, research and development, and implementation of Hawaii's clean energy future require up-front investment. I believe the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel—to fund clean energy programs.
- 3. This measure, among other purposes, will provide critical funding for the State Energy Office, which oversees the Hawaii Clean Energy Initiative. Its current funding (from federal stimulus dollars) is set to expire within one year, with no substitute funding mechanism in place.
- 4. The existing law should be expanded to include a tax on coal imports. Hawaii burns around 1.6 billion pounds of environmentally toxic, imported coal annually. A fossil energy tax on coal (equivalent to the existing \$1.05 tax on each barrel of oil) is approximately \$5 per ton of coal imported. This could yield \$4 million annually for clean energy and food security programs.
- 5. I would also support increasing the carbon tax on oil and coal to accelerate Hawaii's clean energy future. This carbon tax is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation.

Jill Sims jillgsims@gmail.com 3061 pualei cir #203 Honolulut, HI 96815

Conference room: 225

Testifier position: support Testifier will be present: No Submitted by: Damian Sempio Organization: Individual Submitted on: 3/21/2011