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# A BILL FOR AN ACT

RELATING TO THE ENVIRONMENT.

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

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



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

11           Accordingly, the legislature finds that it is in the public  
12 interest to create a carbon offset program in the State that  
13 would incentivize and reward the adoption of, practice of, and  
14 adherence to carbon emission reduction activities, consistent  
15 with the Hawaii 2050 sustainability plan.

16           The purpose of this Act is to establish a carbon offset  
17 program under the department of business, economic development,  
18 and tourism, in partnership with the department of land and  
19 natural resources, through which revenues realized from the sale  
20 of carbon offset credits may be deposited into the forest  
21 stewardship fund or invested into projects that improve the



1 State's water infrastructure or mitigate threats to water  
2 sustainability due to climate change.

3 SECTION 2. Chapter 201, Hawaii Revised Statutes, is  
4 amended by adding a new section to part I to be appropriately  
5 designated and to read as follows:

6 "§201- Carbon offset program. (a) In partnership with  
7 the department of land and natural resources, the department  
8 shall establish a carbon offset program that:

- 9 (1) Provides expertise in carbon offsetting to public  
10 agencies and private entities and assists in  
11 coordinating carbon offset projects of public  
12 agencies, including but not limited to the generation,  
13 certification, and marketing of carbon credits;  
14 (2) Allows for proceeds and revenues generated by the  
15 department of land and natural resources from sales of  
16 forest carbon offset credits to be deposited into the  
17 forest stewardship fund pursuant to section 195F-4;  
18 provided that the funds are used in accordance with  
19 the purposes of the fund;  
20 (3) Allows for proceeds and revenues generated by state  
21 agencies from sales of carbon credits other than as



1 described in paragraph (2) to be invested in projects  
2 enhancing the State's efforts to mitigate climate  
3 change, improving the State's water infrastructure, or  
4 mitigating threats to water sustainability due to  
5 climate change, including but not limited to:

6 (A) Flood prevention and preparedness;

7 (B) Mitigation of sea level rise;

8 (C) Increasing potable water supplies;

9 (D) Increasing agricultural water supplies; and

10 (E) Watershed restoration or protection;

11 (4) Provides environmental, social, cultural, or economic  
12 benefits, including but not limited to the improvement  
13 of the State's water infrastructure or mitigation of  
14 threats to water sustainability due to climate change;  
15 and

16 (5) Is consistent with the State's sustainability goals  
17 and policies.

18 (b) The department, in partnership with the department of  
19 land and natural resources, shall adopt rules, pursuant to  
20 chapter 91, necessary to carry out the purposes of this section.

21 (c) As used in this section:



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

6       "Carbon offset" means a compensatory measure made by an  
7 agency, business, or individual to reduce carbon dioxide  
8 emissions or to increase carbon dioxide sequestration.

9       "Carbon registry" means any established international,  
10 national, or regional carbon registry program that serves  
11 voluntary or compliance markets, provides an independent carbon  
12 standard to verify and certify carbon offsets, and issues carbon  
13 credits.

14       "Forest carbon offset" means a compensatory measure made by  
15 an agency, business, or individual to increase carbon dioxide  
16 sequestration through the withdrawal from the atmosphere and  
17 storage of carbon dioxide in biomass within forest areas.

18       "Public agency" means a unit of state, city, or county  
19 government.

20       "State agency" means a unit of state government, such as a  
21 department, division, branch, agency, program, or office, and



1 includes the legislature, judiciary, and office of Hawaiian  
2 affairs."

3 SECTION 3. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$ or so  
5 much thereof as may be necessary for fiscal year 2018-2019 to  
6 implement the credit offset program.

7 The sum appropriated shall be expended by the department of  
8 business, economic development, and tourism for the purposes of  
9 this Act.

10 SECTION 4. New statutory material is underscored.

11 SECTION 5. This Act shall take effect on January 28, 2045.



**Report Title:**

DBEDT; DLNR; Carbon Offset Program; Water Infrastructure;  
Climate Change; Appropriation

**Description:**

Establishes a carbon offset program under the Department of Business, Economic Development, and Tourism, in partnership with the Department of Land and Natural Resources. Allows the proceeds and revenue generated from forest carbon offset credits to be deposited into the forest stewardship fund, and non-forest carbon credits to be invested in projects enhancing the State's efforts to mitigate climate change, improving the State's water infrastructure, or mitigating threats to water sustainability efforts due to climate change. Appropriates funds to implement the carbon offset program. Effective 1/28/2045. (SD2)

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