
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

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

1 SECTION 1. The legislature finds that increasing extreme
2 weather events due to climate change make the isolated Hawaiian
3 islands more vulnerable to being cut off from food and to water
4 shortages and highlights the importance of food and water
5 security. As such, Hawaii needs to find a way to reduce its
6 contribution to climate change and increase local food
7 production.

8 The legislature further finds that while carbon offset
9 credits pay for carbon positive actions, certification is cost
10 prohibitive to small landowners. Incentivizing carbon positive
11 actions through a payment of services program would allow small
12 farmers, ranchers, and landowners to be compensated for taking
13 actions to help Hawaii reach its climate positive goal.

14 The purpose of this Act is to:

15 (1) Establish a Hawaii agriculture and forest carbon
16 positive incentive program that will keep forests and



1 working agriculture lands intact and sequester
 2 additional carbon on those lands; and
 3 (2) Fund the program with a portion of the revenues
 4 generated by the environmental response, energy, and
 5 food security tax.

6 SECTION 2. Chapter 196, Hawaii Revised Statutes, is
 7 amended by adding a new part to be appropriately designated and
 8 to read as follows:

9 **"PART . HAWAII AGRICULTURE AND FOREST CARBON POSITIVE**
 10 **INCENTIVE PROGRAM**

11 **§196-A Definitions.** As used in this part:

12 "Authority" means the Hawaii green infrastructure authority
 13 established pursuant to section 196-63.

14 "Carbon incentives contract" means a contract that
 15 specifies the following:

- 16 (1) The eligible practices to be undertaken;
- 17 (2) The acreage of eligible land;
- 18 (3) The established rate of compensation;
- 19 (4) A schedule to verify that the terms of the contract
- 20 have been fulfilled; and



1 (5) Other terms as are determined necessary by the
2 authority.

3 "Eligible land" means agricultural or forest land in the
4 State that is privately owned or public land leased to a private
5 citizen at the time of initiation of a carbon incentives
6 contract.

7 "Eligible practices" means practices that increase carbon
8 sequestration and storage over a designated period on eligible
9 land.

10 "Phase I activities" means activities identified as having
11 a high likelihood of effectively achieving durable sequestration
12 benefits at reasonable compensation rates across eligible land
13 types. "Phase I activities" includes:

14 (1) Any regenerative annual cropping system that includes
15 at least four of the following practices:

- 16 (A) Compost application;
- 17 (B) Cover crops;
- 18 (C) Crop rotation;
- 19 (D) Green manure;
- 20 (E) No-till or reduced tillage; and
- 21 (F) Organic production;



- 1 (2) Improved pasture;
- 2 (3) Agroforestry;
- 3 (4) Reforestation;
- 4 (5) Protection of forests and shrublands from disturbance;
- 5 and
- 6 (6) Rotational grazing and improved forage.

7 "Phase II activities" means activities identified as those
8 that support significant sequestration potential but require
9 additional technical work to estimate sequestration potential or
10 identify appropriate eligible land types. "Phase II activities"
11 includes:

- 12 (1) Biofuel production;
- 13 (2) Methane capture;
- 14 (3) Improved forest management;
- 15 (4) Grazing intensity;
- 16 (5) Mixed production systems; and
- 17 (6) Efficient nutrient and waste management.

18 "Program" means the Hawaii agriculture and forest carbon
19 positive incentive program established by this part.

20 **§196-B Hawaii agriculture and forest carbon positive**
21 **incentive program; established.** There is established within the



1 authority the Hawaii agriculture and forest carbon positive
2 incentive program to incentivize carbon sequestration activities
3 through carbon incentives contracts that provide for
4 compensation for eligible practices by program participants.

5 The authority shall administer the program and shall:

- 6 (1) Conduct program evaluations;
- 7 (2) Coordinate with the department of agriculture and
8 department of land and natural resources;
- 9 (3) Provide owners and lessees of eligible land financial
10 incentive payments for eligible practices over a
11 designated period, with appropriate crediting for
12 carbon benefits as specified through a carbon
13 incentives contract;
- 14 (4) Establish and implement protocols that provide
15 monitoring and verification of compliance with the
16 terms of carbon incentives contracts;
- 17 (5) Make available to the public any modeling,
18 methodology, or protocol resources developed to
19 estimate sequestration rates of potential projects;
20 and



1 (6) Identify, evaluate, and distribute dedicated funds to
2 accomplish the purposes of the program.

3 **§196-C Program assistance; contract terms and compensation**

4 **rates.** (a) The department of agriculture and department of
5 land and natural resources shall assist the authority in
6 carrying out the purposes of the program, including:

7 (1) Establishing compensation rates and carbon incentives
8 contract terms for phase I activities;

9 (2) Estimating sequestration rates for phase I and
10 phase II activities;

11 (3) Conducting research to develop technical underpinning
12 of compensation rates for phase II activities; and

13 (4) Conducting community and landowner outreach
14 activities.

15 (b) The department of agriculture and department of land
16 and natural resources shall establish compensation rates and
17 carbon incentives contract terms within one year of the date of
18 receipt of a program application. A carbon incentives contract
19 shall be for a term of no less than one year and no more than
20 thirty years, as determined by the owner or lessee; provided



1 that the length of a contract term shall directly correlate with
2 the rate of compensation paid pursuant to the contract.

3 **§196-D Reviewing committee; report.** (a) The chairperson
4 of the authority, or the chairperson's designee, shall establish
5 and serve as the chairperson of a reviewing committee to review
6 program applications. The chairpersons of the boards of
7 agriculture and land and natural resources, or their respective
8 designees, shall participate as members of the reviewing
9 committee.

10 (b) The reviewing committee shall submit a report to the
11 legislature no later than twenty days prior to the convening of
12 the regular session of 2023 and each regular session thereafter.
13 Each report shall contain:

14 (1) An estimate of annual and cumulative carbon reductions
15 achieved as a result of the program, as determined
16 using standardized measures including measures of
17 economic efficiency;

18 (2) A summary of any changes to the program made as a
19 result of program measurement, monitoring, and
20 verification; and

21 (3) The total number of acres enrolled in the program.



1 **§196-E Eligibility.** Landowners and lessees of eligible
2 land shall be eligible for the program upon submission of a
3 program application, prepared by the authority, to enter into a
4 carbon incentives contract. An owner of eligible land currently
5 engaged in eligible practices shall not be barred from entering
6 into a carbon incentives contract under this part to continue
7 carrying out eligible practices. An owner or lessee shall not
8 be prohibited from participating in the program based on the
9 participation by the owner or lessee in other federal or state
10 conservation assistance programs. Conservation easements shall
11 not be required for eligibility in the program.

12 **§196-F Priority of carbon positive activities; benefits.**

13 (a) Priority eligibility shall be given to phase I and phase II
14 activities that:

- 15 (1) Are cost effective;
- 16 (2) Provide co-benefits to the State and owner or lessee
17 of eligible land;
- 18 (3) Have the potential to create jobs in the forestry or
19 agriculture sectors and in rural communities; and
- 20 (4) Achieve community priorities, including food security
21 or watershed protection.



1 (b) On an annual basis, the Hawaii greenhouse gas
2 sequestration task force established by section 225P-4 shall
3 identify and prioritize selected carbon positive activities.
4 The task force shall also identify co-benefits, which may
5 include:

- 6 (1) Job creation;
- 7 (2) Food security and agriculture for local consumption;
- 8 (3) Water security;
- 9 (4) Increased biodiversity;
- 10 (5) Soil health; and
- 11 (6) Invasive species reduction and removal.

12 **§196-G Hawaii agriculture and forest carbon positive**
13 **incentive program special fund.** (a) There is established in
14 the state treasury the Hawaii agriculture and forest carbon
15 positive incentive program special fund, which shall consist of:

- 16 (1) Moneys appropriated to the fund by the legislature;
- 17 (2) All interest attributable to investment of money
18 deposited in the fund;
- 19 (3) Moneys deposited into the fund from the environmental
20 response, energy, and food security tax pursuant to
21 section 243-3.5; and



- 1 (4) Moneys allotted to the fund from other sources.
- 2 (b) Moneys from the fund shall be expended by the
- 3 authority for the purposes of the program, including personnel
- 4 salaries, inventory, and community and landowner outreach
- 5 activities."

6 SECTION 3. Section 196-64, Hawaii Revised Statutes, is

7 amended by amending subsection (a) to read as follows:

8 "(a) In the performance of, and with respect to the

9 functions, powers, and duties vested in the authority by this

10 part, the authority, as directed by the director and in

11 accordance with a green infrastructure loan program order or

12 orders under section 269-171 or an annual plan submitted by the

13 authority pursuant to this section, as approved by the public

14 utilities commission, may:

- 15 (1) Make loans and expend funds to finance the purchase or
- 16 installation of green infrastructure equipment for
- 17 clean energy technology, demand response technology,
- 18 and energy use reduction and demand side management
- 19 infrastructure, programs, and services;
- 20 (2) Hold and invest moneys in the green infrastructure
- 21 special fund in investments as permitted by law and in



- 1 accordance with approved investment guidelines
2 established in one or more orders issued by the public
3 utilities commission pursuant to section 269-171;
- 4 (3) Hire employees necessary to perform its duties,
5 including an executive director. The executive
6 director shall be appointed by the authority, and the
7 employees' positions, including the executive
8 director's position, shall be exempt from chapter 76;
- 9 (4) Enter into contracts for the service of consultants
10 for rendering professional and technical assistance
11 and advice, and any other contracts that are necessary
12 and proper for the implementation of the loan program;
- 13 (5) Enter into contracts for the administration of the
14 loan program, without the necessity of complying with
15 chapter 103D;
- 16 (6) Establish loan program guidelines to be approved in
17 one or more orders issued by the public utilities
18 commission pursuant to section 269-171 to carry out
19 the purposes of this part;
- 20 (7) Be audited at least annually by a firm of independent
21 certified public accountants selected by the



1 authority, and provide the results of this audit to
2 the department and the public utilities commission;
3 [and]

4 (8) Administer the Hawaii agriculture and forest carbon
5 positive incentive program established by part ;
6 and

7 ~~[-(8)]~~ (9) Perform all functions necessary to effectuate the
8 purposes of this part."

9 SECTION 4. Section 225P-4, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) The greenhouse gas sequestration task force is
12 established within the office of planning for administrative
13 purposes only. The task force shall ~~[have the following~~
14 ~~objectives]~~:

15 (1) Work with public and private stakeholders to establish
16 a baseline for greenhouse gas emissions within Hawaii
17 and short- and long-term benchmarks for increasing
18 greenhouse gas sequestration in the State's
19 agricultural and natural environment;

20 (2) Identify appropriate criteria to measure baseline
21 levels and increases in greenhouse gas sequestration,



1 improvements in soil health, increases in agricultural
2 and aquacultural product yield and quality
3 attributable to greenhouse gas sequestration and
4 improvements in soil health, and other key indicators
5 of greenhouse gas benefits from beneficial
6 agricultural and aquacultural practices that may be
7 used to create a certification program for promoting
8 agricultural and aquacultural practices that generate
9 greenhouse gas benefits and agricultural and
10 aquacultural production benefits;

11 (3) Identify land and marine use policies, agricultural
12 policies, agroforestry policies, and mitigation
13 options that would encourage agricultural and
14 aquacultural practices and land use practices that
15 would promote increased greenhouse gas sequestration,
16 build healthy soils, and provide greenhouse gas
17 benefits;

18 (4) Identify ways to increase the generation and use of
19 compost in Hawaii to build healthy soils;

20 (5) Identify practices and policies that add trees or
21 vegetation to expand the urban tree canopy in urban



1 areas to reduce ambient temperatures, increase climate
2 resiliency, and improve greenhouse gas sequestration
3 in Hawaii; ~~and~~

4 (6) Make recommendations to the legislature and governor
5 regarding measures that would increase climate
6 resiliency, build healthy soils, provide greenhouse
7 gas benefits, or cool urban areas[-]; and

8 (7) Identify and prioritize carbon positive activities
9 eligible for the Hawaii agriculture and forest carbon
10 positive incentive program established by part of
11 chapter 196, on an annual basis."

12 SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) In addition to any other taxes provided by law,
15 subject to the exemptions set forth in section 243-7, there is
16 hereby imposed a state environmental response, energy, and food
17 security tax on each barrel or fractional part of a barrel of
18 petroleum product sold by a distributor to any retail dealer or
19 end user of petroleum product, other than a refiner. The tax
20 shall be \$1.05 on each barrel or fractional part of a barrel of



1 petroleum product that is not aviation fuel; provided that of
2 the tax collected pursuant to this subsection:

3 (1) 5 cents of the tax on each barrel shall be deposited
4 into the environmental response revolving fund
5 established under section 128D-2;

6 (2) 5 cents of the tax on each barrel shall be deposited
7 into the energy security special fund established
8 under section 201-12.8;

9 (3) 10 cents of the tax on each barrel shall be deposited
10 into the energy systems development special fund
11 established under section 304A-2169.1; [and]

12 (4) [~~15~~] ____ cents of the tax on each barrel shall be
13 deposited into the agricultural development and food
14 security special fund established under
15 section 141-10[~~-~~]; and

16 (5) cents of the tax on each barrel shall be
17 deposited into the Hawaii agriculture and forest
18 carbon positive incentive program special fund
19 established under section 196-G.

20 The tax imposed by this subsection shall be paid by the
21 distributor of the petroleum product."



1 SECTION 6. There is appropriated out of the general
 2 revenues of the State of Hawaii the sum of \$ or so
 3 much thereof as may be necessary for fiscal year 2021-2022 and
 4 the same sum or so much thereof as may be necessary for fiscal
 5 year 2022-2023 to be deposited into the Hawaii agriculture and
 6 forest carbon positive incentive program special fund.

7 SECTION 7. There is appropriated out of the Hawaii
 8 agriculture and forest carbon positive incentive program special
 9 fund the sum of \$ or so much thereof as may be
 10 necessary for fiscal year 2021-2022 and the same sum or so much
 11 thereof as may be necessary for fiscal year 2022-2023 for the
 12 Hawaii agriculture and forest carbon positive incentive program,
 13 including one full-time equivalent (1.0 FTE) program management
 14 position.

15 The sums appropriated shall be expended by the Hawaii green
 16 infrastructure authority for the purposes of this Act.

17 SECTION 8. In codifying the new sections added by
 18 section 2 of this Act, the revisor of statutes shall substitute
 19 appropriate section numbers for the letters used in designating
 20 the new sections in this Act.



1 SECTION 9. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect on July 1, 2050;
4 provided that sections 6 and 7 shall take effect on July 1,
5 2051.



S.B. NO. 493
S.D. 2
H.D. 1

Report Title:

Hawaii Agriculture and Forest Carbon Positive Incentive Program;
Hawaii Green Infrastructure Authority; Appropriation

Description:

Establishes the Hawaii agriculture and forest carbon positive
incentive program. Effective 7/1/2050. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is
not legislation or evidence of legislative intent.*

