DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAI'I
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAI'I 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 2278

February 8, 2022
8:50 a.m.
Room 325 and Videoconference

RELATING TO ENERGY

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 2278 establishes a carbon cashback program by: amending Section 243-3.5, HRS, to increase the taxes imposed on petroleum and fossil fuels and change existing allocations to various special and revolving funds from set proportional amounts to flat annual amounts; adding a new section to Chapter 235, HRS, that establishes a refundable tax credit for all qualified taxpayers in the State; and making conforming amendments to Sections 128D-2 and 201-12.8, HRS.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawaiʻi complies with this ARP restriction.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Nicole E. Lowen, Chair;
The Honorable Lisa Marten, Vice Chair;
and Members of the House Committee on Energy and Environmental Protection

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, February 8, 2022
Time: 8:50 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 2278, Relating to Energy

The Department of Taxation (Department) appreciates the intent of H.B. 2278 and offers the following comments for the committee's consideration.

H.B. 2278 adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a new refundable tax credit to mitigate the effect of a carbon emissions tax on resident taxpayers. The amounts of the credit are as follows:

Tax Year(s)	Single or Married filing Separately	Head of Household filers	Joint return or surviving spouse filers
2023	$65	$130	$30
2024	$210	$420	$100
2025	$360	$720	$180
2026	$380	$760	$190
2027	$420	$850	$201
2028-2031	$440	$880	$220
2032	$450	$900	$220
2033	$460	$920	$230
2034	$470	$940	$230
2035 and on	$480	$960	$240

A tax credit of an unspecified amount is available per "qualifying child," defined as a minor who resides with the taxpayer and is claimed by the taxpayer as a dependent.

The measure also amends the environmental response, energy, and food security tax in section 243-3.5, HRS, expanding it into a broader tax on carbon emissions. The measure would raise the tax from a flat rate of $1.05 on each barrel or fractional part of a barrel of petroleum product (except for aviation fuel) and create a tax matrix with different rates on nine categories of petroleum products, including two categories of aviation fuel ("aviation gas" and "jet fuel") and a catch-all for "other" types of fuel. The new rates would take effect on January 1, 2023, and increase annually until 2035. The measure would also raise the tax on each one million British thermal units (BTUs) of fossil fuel sold by a distributor from 19 cents to higher distinct rates for coal and natural gas, also starting on January 1, 2023, and increasing annually until 2035.

H.B. 2278 would also change revenue allocation from a percentage of the tax on each barrel or million BTUs to a set specific dollar amount, deposited into the environmental response revolving fund, the energy security special fund, the energy systems development special fund, and the electric vehicle charging station subaccount, with the remaining revenues deposited into the general fund. However, all taxes on aviation fuel and all taxes on fuel used in or for small boats would be deposited into the airport revenue fund and boating special fund, respectively. The tax on BTUs would not apply to coal used to fulfill power purchase agreements (PPAs) that were in effect as of June 2015, but this exemption would not apply to the extension of any existing or subsequent PPAs.

The measure is effective upon approval, with the new tax credit in Section 2 applying to taxable years beginning after December 31, 2022

First, with respect to the proposed tax credit in Section 2, the Department notes that restricting tax credit eligibility only to State residents may violate the U.S. Constitution.

Second, the Department suggests clarifying the definition of "qualifying child" to read:

```
"Qualifying child" means a minor who:
   (1) Resides with the qualified taxpayer; and
   (2) Is claimed as a dependent by the qualified taxpayer.
```

This amended definition will ensure that only children of the "qualified taxpayer" will be eligible for the additional credit.

Second. Department notes that the proposed tax credit in Section 2 is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Finally, the Department requests that the new carbon emissions tax and changes to the environmental response, energy, and food security tax in Section 5 be made effective on January 1, 2023, instead of upon approval. This will provide time for the Department to make the necessary administrative and computer changes. This measure will also require taxpayer education as it represents a significant change to this tax

Thank you for the opportunity to provide comments.

TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2022

ON THE FOLLOWING MEASURE:
H.B. NO. 2278, RELATING TO ENERGY.

BEFORE THE:
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

DATE: Tuesday, February 8, 2022 **TIME:** 8:50 a.m.

LOCATION: State Capitol, Room 325, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or
Mary Bahng Yokota, Deputy Attorney General

Chair Lowen and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill (1) amends the environmental response, energy, and food security tax to include a tax on carbon emissions and (2) creates a new refundable income tax credit to mitigate the effect of a carbon emissions tax for a "qualified taxpayer" subject to Hawaii income tax (Tax Credit). The term "qualified taxpayer" for purposes of the Tax Credit is defined in the bill as follows:

> "Qualified taxpayer" means a ***resident*** taxpayer who files an individual income tax return, whether as a single taxpayer, a head of household, a married individual filing a separate return, a married couple filing a joint return, or a surviving spouse.

Page 11, lines 5-9 (emphasis added). Thus, under the bill, the Tax Credit is only available to "resident" taxpayers and not to nonresident taxpayers.

"The Privileges and Immunities Clause, U.S. Const., art. IV, § 2, provides '[t]hat the Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States.'" Lunding v. New York Tax Appeals Tribunal, 522 U.S. 287, 290 (1998). "One right thereby secured is the right of a citizen of any State to 'remove to and carry on business in another without being subjected in property or person to taxes more onerous than the citizens of the latter State are subjected to.'" Id. at 296 (quoting Shaffer v. Carter, 252 U.S. 37, 56 (1920)). The Clause requires "substantial equality of treatment" for resident and nonresident taxpayers, such that "[w]here nonresidents are subject to different treatment, there must be 'reasonable grounds for ... diversity of treatment.'" Id. at 297-98 (quoting Travis v. Yale & Towne Mfg. Co., 252 U.S. 60, 79(1920)). The "Privileges and Immunities Clause bars 'discrimination against citizens of other States where there is no substantial reason for the discrimination beyond the mere fact that they are citizens of other States.'" Id. at 298 (quoting Toomer v. Witsell, 334 U.S. 385, 396 (1948)).

When confronted with a challenge under the Privileges and Immunities Clause to a law distinguishing between resident and nonresidents, a State must demonstrate that "(i) there is a substantial reason for the difference in treatment; and (ii) the discrimination practiced against nonresidents bears a substantial relationship to the State's objective." Id. at 298 (quoting Supreme Court of N.H. v. Piper, 470 U.S. 274, 284 (1985)). "In deciding whether the discrimination bears a close or substantial relationship to the State's objective, the Court has considered the availability of less restrictive means." Piper, 470 U.S. at 284.

The reason for the Tax Credit in this bill appears to be to mitigate the effect of the carbon emissions tax on taxpayers. Under the bill, the tax on carbon emissions, as part of the fuel tax, is imposed on distributors, but it may be argued that the tax affects both resident and nonresident taxpayers to the extent that the distributor passes the tax on to retailers, who in turn pass the tax on to all consumers, resident and nonresident alike. It is not clear in the bill that there is a substantial reason for the difference in treatment of resident and nonresident taxpayers for the Tax Credit or that the discrimination bears a substantial relationship to the State's objective. Thus, the residency requirement in the bill may be subject to challenge under the Privileges and Immunities Clause.

One way to address this concern is by deleting the term "resident" in the definition of "qualified taxpayer" on page 11, line 5, which would make the Tax Credit available to any taxpayer who files an individual income tax return.

Thank you for the opportunity to provide our comments.

HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-3807
Web: energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, February 8, 2022
8:50 AM
State Capitol, Conference Room 325 & Videoconference

COMMENTS
HB 2278
RELATING TO ENERGY.

Chair Lowen, Vice Chair Marten, and Members of the Committee, the Hawaiʻi State Energy Office (HSEO) offers comments on HB 2278, which establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers and amends the environmental response, energy, and food security tax to address carbon emissions.

HSEO's testimony is guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy, and by the Chief Energy Officers' mandate in HRS196-72 (d) (1) to "Formulate, analyze, recommend, and implement specific policies, strategies, and plans, in coordination with public and private sector stakeholders, to cost-effectively and equitably achieve the State's energy goals."

HSEO supports the intent of the bill to establish a fee that is based on carbon emissions, and notes that, in addition to the numerous citations provided in the preamble of the bill, it has also been the position of the Hawaii Climate Change Mitigation and Adaption Commission that putting a price on carbon is the most effective single action that will achieve Hawaii's ambitious and necessary carbon emission reduction goals.

For Hawaii to meet its target to sequester more greenhouse gases than the state emits as soon as practicable but no later than 2045, it is imperative that measures such as a carbon tax, with mechanisms to balance and support the variety of economic, social, and environmental challenges faced by our state, be considered.

Pursuant to Act 122 (2019), HSEO initiated a carbon pricing study, the results of which indicated a carbon cashback program, such as the refundable tax credit proposed by HB2278, would support environmental, economic, and social justice objectives. HSEO notes the study concludes the carbon tax would substantially reduce the consumption of fossil fuels and that distributing most of the tax revenues to Hawaii's households in the low tax scenario would create a net financial benefit to most of Hawaii's households, with the largest net financial benefit to low-income households.

HSEO appreciates the benefits of the recommended refundable tax credit as an effective means of mitigating the impact of potential increased energy costs, especially for low to moderate income households.

HSEO looks forward to working with the Legislature, agencies, and stakeholders to support the State's decarbonization goals, and defers to the appropriate agencies for comment on tax administration.

Thank you for the opportunity to testify.

HB-2278
Submitted on: 2/3/2022 6:07:03 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
laurel brier	Kauai women's caucus	Support	No

Comments:

You declared a climate emergency last session and we need more climate action such as this

Our kuleana is to protect Hawai'i's natural resources, mitigating and adapting to climate change and ensuring justice for ka pae ʻāina Hawaiʻi. Kuleana has many meanings including responsible or to be responsible for. Ka pae ʻāina Hawaiʻi as it is directly translated refers to the Hawaiian archipelago. In a deeper sense it refers to the Hawaiian Islands as a collective people who also have a responsibility to each other and to the ʻāina of Hawaiʻi and all of its natural resources.

Committee on Energy and Environmental Protection
February 8th, 2022, 8:50 am Videoconference
HB2278 – RELATING TO ENERGY
Environmental Justice Task Force, Faith Action for Community Equity

POSITION: Support

Aloha Chair Lowen, Vice Chair Marten, and Committee Members:

The Environmental Justice Task Force of Faith Action for Community Equity fully supports HB 2278. We deeply appreciate the Committee including this proposed landmark legislation, as it demonstrates your commitment to address climate change with equitable climate policies.

We recognize we must all decrease the amount of carbon we put into the atmosphere to slow the destruction of climate change. We support HB2278 that taxes fossil fuels, and returns the money collected to all Hawaii residents via a tax credit.

The UHERO study found, under one scenario, that an average low-income family would receive $900 more than it would spend on any increased cost of fossil fuels. The UHERO study also concluded that most households, especially those in the lower income range, would come out ahead. We are pleased to see that this bill calls for the credit to be "refundable", which means even if you pay zero Hawaii state tax, you can still receive the full income tax credit.

The Environmental Justice Task Force of Faith Action for Community Equity is supportive of HB 2278 that should incentivize folks to use less fossil fuel yet soften or remove any further burden for low-income households.

Thank you for the opportunity to submit this testimony.

Faith Action for Community Equity, P.O. Box 235950, Honolulu, HI 96823
www.faithactionhawaii.org
(808) 554-3833

The Nature Conservancy - Hawaiʻi and Palmyra
923 Nuʻuanu Avenue
Honolulu, HI 96817

Tel (808) 537-4508
Fax (808) 545-2019
nature.org/hawaii

Testimony of The Nature Conservancy
Supporting HB 2278, RELATING TO ENERGY.

Committee on Energy and Environmental Protection
February 8, 2022, 8:50 am
Conference Room 325 via videoconference

Aloha Chair Lowen, Vice Chair Marten, and Members of the Committee:

The Nature Conservancy (TNC) supports on HB 2278, Relating to Energy, which would establish a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. The bill would also amend the environmental response, energy, and food security tax to address carbon emissions.

TNC supports putting a price on carbon pollution to make a significant contribution to addressing the challenge of climate change. Economists overwhelmingly agree that the market-based approach embodied in the legislation will achieve emissions reductions in the most efficient and lowest cost way possible. The economic impacts on families and individuals of the carbon price would be mitigated by the refundable income tax credit.

TNC works to protect and manage the natural systems that sequester carbon, provide our fresh water, and protect our coastlines; all of which reduce the impacts of climate change. However, to fully address the growing impacts of our changing climate, we need bold action. Nature can play a huge role in pulling carbon out of the atmosphere, but it needs policies like a carbon price to also ensure that emissions are reduced.

Mahalo for the opportunity to provide testimony on HB 2278.

The Nature Conservancy of Hawaiʻi and Palmyra is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawaiʻi and Palmyra Atoll. We manage 40,000 acres in 13 nature preserves and work in over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands. We forge partnerships with government, private parties, and communities to protect forests and coral reefs for their ecological values and for the many benefits they provide to people.

Testimony for HB2278

I am Helen Cox and am writing on behalf of the Kauai Climate Action Coalition (KCAC), a group of over ninety residents from various occupations and income levels committed to addressing the climate crisis. Please support HB2278. Hawaii has declared a climate emergency and set a goal to be carbon neutral by 2045. This bill is necessary to reach the emission reductions that are consistent with Hawaii's goals. The policy will not conflict with other policies aimed at reducing carbon emissions but instead strengthen them. Most importantly, this bill is progressive. A UHERO Student commissioned by the legislature found that on average low- and middle-income households will benefit from the bill. In fact, all households on average do better if 80 to 100% of the revenues are returned to people. The bill follows the recommendations in the Tax Review Commission Report; it is the commission's top recommendation. Finally, the bill will be easy to implement as it simply means increasing the barrel tax. For our `aina and our `ohana please support this bill. Mahalo for all you do and for your support.

Testimony of the
PRACTICAL POLICY INSTITUTE OF HAWAII
Monday, February 7, 2022
The Committee on Energy & Environmental Protection
8:50 AM State Capitol, Conference Room 325

Testimony in OPPOSITION to HB2278 and HB1639 RELATING TO A CARBON TAXES

Good morning Chair Lowen, Vice Chair Marten, and Committee members. My name is Clint Churchill, president of the Practical Policy Institute of Hawaii. Climate change is real, as should be obvious to all of us. But before heading further down the road, at high speed, approving every conceivable response to climate change, we should consider the implications and consequences of passing a bill of this magnitude. Our federal government has considered, but not passed, a carbon tax. No other state in the country has implemented a carbon tax. The time has come to pause on enacting taxes and other measures that will impact our residents, yet have a tiny, perhaps unmeasurable, impact on world climate change.

We all know that family members and friends have been leaving Hawaii for many years because of the rising cost of living. Last year marked the fifth year in a row that the state has shown a population out-migration, with the main reason cited being Hawaii's high cost of living. For Hawaii, this is a <u>real</u> problem, not some arbitrary goal of trying to keep the increase in world temperature to not more than two degrees some 80 years from now. By one estimate, even if we eliminated all CO2 emissions in the U.S., the impact would be less than 2/10 of one degree. Mother Nature will do what she does, which will likely be a continuation an eight hundred-year cycle of gradual temperature increase, and humans will adapt.

There can be no doubt that the proposed tax on each barrel of petroleum products will increase the cost of living in Hawaii, whether at the gas pump, in our electricity bills, or buried in the price of various other goods and services that incur the extra cost of this tax, should it be implemented. While the bill attempts to "sell" the tax by giving some 80% of it back to those who were taxed, this can only be characterized as a "scheme" for some other purpose. There is no mention in the bill about the cost implications to Hawaii's economy. An unintended consequences of further taxation of aviation fuel, a key element of our main industry, will be to raise the price of an airline ticket here, and impact tourism. There can also be no doubt that our residents will have to pay more for both inter-island travel and out-of-state trips as the airlines pass on this tax, if implemented. A fine way to treat our people and our visitors.

So what is the "other purpose" of this bill? Presumably to speed up the conversion from our petroleum-based energy and transportation economy to renewable energy and electric vehicles. But will it really get us all out of our gasoline cars and cause us to buy much more expensive electric vehicles? Very unlikely. And will it cause us to drive less because gas is more expensive? Picture a Makaha resident driving to Waikiki for a good job, not likely at all--and quite likely not qualifying for the refundable tax credit "scheme." And will it increase the pace at which HECO converts to renewable sources? Also not likely, with ratepayers paying the surcharge for decades as the hoped-for conversion drags along.

Legislators should also focus on the implications and complexity of the refundable tax credit "scheme." A large number of Hawaii's residents don't pay any income tax, so they will clearly lose out. And from the threshold level up to the median, this group will have to file a form and likely "furnish reasonable information to ascertain the validity of their claim," all as set forth in the bill and yet-to-be determined rules. How many in this group of taxpayers will likely keep such records and make such a claim? Then, for taxpayers earning the median and above, why bother? The inescapable conclusion is that this tax will add to the cost of living for at least one-half of our residents. Also not mentioned in the bill is the cost of administering this complex program; how can adding to our already high cost of government possibly be of benefit to Hawaii's residents?

This bill is a fine way to make things worse for Hawaii's residents for an illusory purpose. Hawaii's legislators should be addressing real problems, not adding to the challenges we already face. Thank you for your attention, and please vote NO on HB2278 and HB1639.

Email: communications@ulupono.com

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, February 8, 2022 — 8:50 a.m.

Ulupono Initiative supports HB 2278, Relating to Energy.

Dear Chair Lowen and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawaiʻi-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports HB 2278, which establishes a refundable income tax credit to mitigate the effects of a carbon emissions tax on taxpayers and amends the Environmental Response, Energy, and Food Security Tax to address carbon emissions.

To avoid the worst impacts of climate change, significant reductions in greenhouse gas emissions are necessary. A recent report from the Intergovernmental Panel on Climate Change (IPCC) finds that carbon dioxide (CO2) emissions would need to fall by about 45 percent from 2010 levels by 2030 to limit warming to 1.5 degrees Celsius.[1] A carbon cashback program can be an effective tool to reduce greenhouse gas emissions while not financially burdening most households.

Research conducted by the Institute for Sustainability and Resilience, and the University of Hawaiʻi Economic Research Organization (UHERO), further supports the viability of this concept as an emissions reduction measure, estimating a 13% reduction in statewide emissions with the lower-priced pathway. They also noted that, unlike most taxes, it was possible to implement this program in a way that all households in Hawaiʻi, on average, would benefit economically. This is made possible by our visitors paying into the program, but only our residents can receive the cashback. Additionally, in December 2021, the Tax Review Commission, in its 2020-2022 report to the Legislature, also recommended Hawaiʻi employ a carbon cashback program to encourage clean energy development and improve most households' economic welfare in the process. With lower-income households expected to experience net economic benefits greater than those of higher-income

[1] Summary for Policymakers of IPCC Special Report on Global Warming of 1.5 degrees Celsius approved by governments, October 8, 2018.

households, this is a progressive measure that will disincentive the use of fossil fuels while simultaneously helping the households that need it the most.

While the research offers many insights and a better understanding of the potential impacts of such a program, unfortunately, to our knowledge, the data is unavailable to really understand the likely negative impacts to local industries (particularly non-service industries that compete against imports that are produced or manufactured without a carbon tax). Furthermore, assessing any proportional impact to neighbor island communities is also challenging. Though an improved understanding of these issues would be ideal, we still believe that the estimated benefits outweigh all likely negative impacts. Quite frankly, time is short and action across the globe is needed. If passed in this form, Ulupono believes this measure will provide many transformative environmental, economic and equity benefits.

However, Ulupono recommends the Legislature look to the recommendations proposed by the Tax Review Commission, specifically,

(1) Maintaining an 80/20 percent split between the tax revenues for households and the general fund. The committee should also adopt the recommendation to earmark the 20 percent for helping specific stakeholders address specific challenges of implementing this program. These funds could be used to mitigate the impacts to local industries, such as local farmers and other smaller businesses.
(2) Setting the price of the carbon tax equal to the current social cost of carbon, $56/MT CO2, with a gradual increase to $79/MT CO2.
(3) Include aviation fuel in this program, but create a sub-account in the airport revenue fund to invest in clean energy and transportation-related solutions.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Allow me to introduce myself. My name is John Latkiewicz. I reside on Kauai where I serve as a co-chair for the Kauai chapter of Citizens Climate Lobby. I would like to provide the following testimony in support of HB 2278 and on behalf of the Kauai chapter of Citizens Climate Lobby.

As you likely aware, HB 2278 establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. It amends the environmental response, energy, and food security tax to address carbon emissions. The bill aligns with efforts locally as well as nationally to establish a fee on carbon (at the source) with that fee translating into a dividend returned to Hawaii residents. As a recent UHERO study indicates, Hawaii residents reap the benefit of that distribution with Hawaii's disadvantaged residents benefiting more that the average Hawaii resident. That UHERO study was commissioned by the legislature that answered the legislature's concern about the cost of the policy to residents. The study found that on average low and middle income households benefit.

The following is offered in support of the benefits of the carbon fee and dividend approach (HB 2278 in particular) proposed.

Emission reductions are consistent with Hawaii's goal to be carbon neutral by 2045. If it is to do so, it needs to reduce emissions economy wide. Therefore, it needs a policy that addresses emissions in all sectors.

The proposed policy strengthens other environmental policies aimed at reducing emission Hawaii residents support. Visitors pay the tax similar to the TAT and the money flows back to HI residents.

Low and middle income households do better. In fact, all households on average do better if 80 to 100% of the revenues are returned to people.

In terms of implementation, the bill follows the recommendations in the Tax Review Commission Report which recommend a carbon tax and giving most of the funds back to Hawaii residents. In fact, the Tax Review Commission has made a carbon fee approach saying it's top recommendation. Again, the proposed policy aligns with other policies rather than being in conflict.

The carbon fee would be easy to implement as it simply means increasing the barrel tax.

The climate crisis is upon us. We are running out of time. Any and all efforts that look to reduce CO2 and other green-house gas emissions need to be adopted. Please consider giving your support for HB 2278, a major step in the right direction and another example of Hawaii's leadership as it related to climate issues.

HB-2278
Submitted on: 2/6/2022 3:14:59 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ron Reilly	Citizens' Climate Lobby - Hawaii Island Chapter	Support	Yes

Comments:

Feb 6, 2022

Strong Support for HB 2278 RELATING TO ENERGY

Dear Chair Lowen, Vice Chair Marten, and Members of the Energy and Environmental Protection Committee,

Thank you for holding this hearing.

Citizens' Climate Lobby – Hawaii Island Chapter, with over 300 members, strongly supports HB 2278 which puts a price on Hawaii imports of coal, oil and gas to reduce Hawaii's green house gas emissions and the worsening effects of the climate crisis.

We support returning the collected revenue to Hawaii residents, as a refundable tax credit or cash payment, to help reduce the expected increase in prices for gasoline and carbon intensive goods and services as we transition to a cleaner and more sustainable future. Hawaii residents will have the freedom to spend the carbon cash back money however they choose.

Please support HB 2278. The time for a change of direction is urgently needed. If Hawaii does its part this will send a clear message to the US Congress to move forward on national carbon fee and dividend legislation, such as the Energy Innovation and Carbon Divdend act H.R. 2307, and carbon pricing provisions that may be included in US Senate budget reconciliation and the Build Back Bettter bill.

Respectfully submitted,

Ron Reilly
Co-Lead, Citizens' Climate Lobby – Hawaii Island Chapter

Citizens' Climate Lobby Hawaii
cclhawaii.org
hi.ccl.lobby@gmail.com

February 6, 2022

Dear Chair Lowen and Vice-Chair Marten,

On behalf of the Citizens' Climate Lobby (CCL) Hawaii, I'm testifying in strong support of HB2278.

CCL Hawaii supports HB2278 as it will be effective in reducing emissions while caring for our low to middle-income families. HB2278 meets the requirements for effective climate action: it addresses a key root cause (emissions from burning fossil fuels), triggers a broad change in consumption habits to reduce fossil fuel dependence, and ensures a just transition for our vulnerable.

Carbon pricing is well recognized as an essential strategy in our climate change mitigation efforts. It is endorsed by thousands of economists, religious leaders, business groups, and government leaders. Globally, major governments have already introduced carbon pricing.

Studies at the national[1] and local levels[2] have illustrated the efficacy of carbon pricing in reducing emissions. When coupled with dividend – carbon tax revenue returned to households – the impact on our low-middle-income families is positive.

Pricing carbon pollution will allow us to include the true social costs of carbon into fossil fuels. This will trigger changes in consumer and business behaviors that will favor efficiency and clean and renewable solutions. The outcome is a step-change in collective habits that will help Hawaii reduce its dependency on fossil fuels, accelerate its transition to clean energy, and help create support for national carbon pricing.

Climate change requires solutions on multiple fronts – emission reduction, carbon drawdown, and adaptation. HB2278's proposal to put a price on carbon and return revenue to people is a critical element in a portfolio of much-needed solutions.

Please support HR2278.

Respectfully,

Noel Morin
CCL Hawaii State Co-Coordinator

---

[1] CCL Carbon Pricing studies. https://citizensclimatelobby.org/carbon-pricing-studies/

[2] The UHERO Carbon Pricing Assessment report in April 2021 confirmed the effectiveness of a carbon fee and dividend strategy. https://energy.hawaii.gov/carbon-pricing-study. The A carbon pricing policy was a top recommendation by the Hawaii Tax Review Commission. https://files.hawaii.gov/tax/stats/trc/docs2022/TRC_Report_2022.pdf

HB 2278, RELATING TO ENERGY

FEBRUARY 8, 2021 · HOUSE ENERGY AND ENVIRONMENTAL PROTECTION COMMITTEE · CHAIR REP. NICOLE E. LOWEN

POSITION: Strong support with amendments.

RATIONALE: Imua Alliance **strongly supports and offers amendments** for HB 2278, relating to energy, which establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Amends the environmental response, energy, and food security tax to address carbon emissions.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding. Additionally, an estimated $19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

Furthermore, according to research conducted by Michael B. Gerrard from Colombia Law School, modern-day slavery tends to increase after natural disasters or conflicts where large numbers of people are displaced from their homes. In the decades to come, says Gerrard, **climate change will very likely lead to a significant increase in the number of people who are displaced**

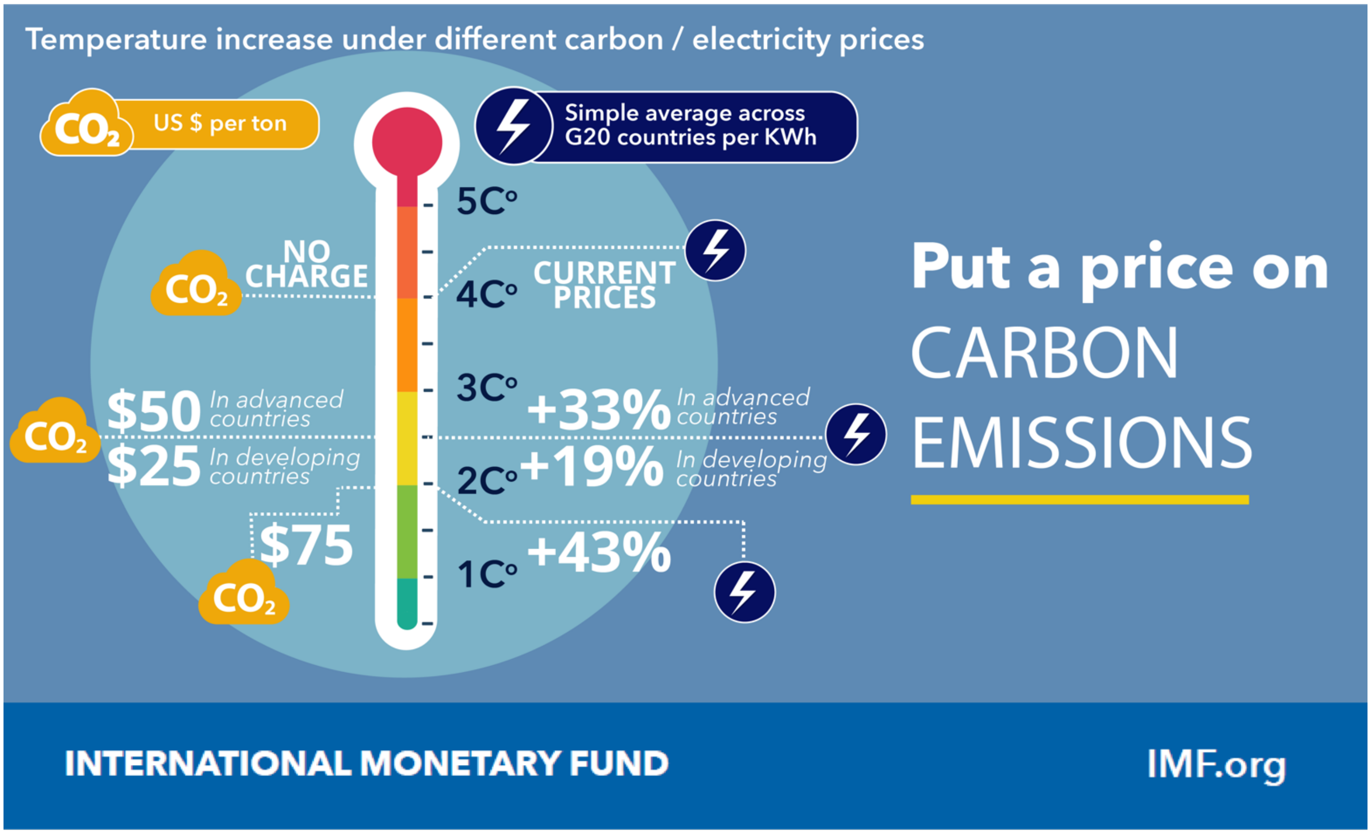
Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

and, thus vulnerable, to human trafficking. While the Paris Climate Agreement of 2015 established objectives to limit global temperature increases and several international agreements are aimed at combating modern-day slavery, it is highly uncertain whether they will be adequate to cope with the scale of the problem that is likely to occur as a result of climate change.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-acre statewide sea level rise exposure area–one-third of which is designated for urban use–without risking massive structural damage and, potentially, great loss of life.

Therefore, our state should take steps to protect Hawai'i's coastal areas, including by exploring carbon pricing options. A carbon tax is a fee imposed on the burning of carbon-based fuels (coal, oil, gas). More to the point, a carbon tax is the core policy for reducing and eventually eliminating the use of fossil fuels whose combustion is destabilizing and destroying our climate, forcing users of carbon fuels pay for the climate damage caused by releasing carbon dioxide into the atmosphere. If set high enough, a carbon tax can be a powerful monetary disincentive that motivates switches to clean energy across the economy by making it more economically rewarding to employ non-carbon fuels and energy efficiency.

Utilizing existing tax collection mechanisms, a carbon tax is paid "upstream," i.e., at the point where fuels are extracted and inserted into the stream of commerce or imported into the U.S. Fuel suppliers and processors are free to pass along the cost of the tax to the extent that market conditions allow, with market forces simultaneously creating a monetary incentive to reduce carbon dioxide emissions and help our planet curb the climate crisis's global warming effect. Carbon that is chemically bound into manufactured products–such as plastics–are not be taxed under a carbon tax scheme. Similarly, any CO2 from energy production that is permanently sequestered rather than released into the atmosphere wouldn't and shouldn't be taxed (or should receive an offsetting tax credit). Finally, **we urge you to replace this bill's refundable tax credit with a dividend scheme, as found on page 7, lines 11 to 15 of HB 460, through which at least 25 percent of the revenue gained is directly returned to people earning 80 percent AMI or less to offset the regressivity of the tax on economically vulnerable residents.**



Notably, a Brookings Institute report found that using 2013 emissions figures, a carbon tax of only $20/ton would generate an estimated $365 million for Hawai'i.

Table 31: Estimated Impact of Carbon Tax, State of Hawaii

Per capita energy related CO2 emissions in 2013	2013 Electronic Power Fossil Combustion CO2	2013 Industrial Fossil Fuel Combustion	Total including transport	Total potential revenue, assuming 2013 emissions and tax rate of $20/ton CO2	Total carbon tax potential revenue as a share of state GDP in 2013
metric tons CO2/person	MMTCO2	MMTCO2	MMTCO2	$ millions	%
12.9	6.8	1.5	18.3	**$365**	0.49%

Source: Brookings Institution State-Level Carbon Taxes, 2016

As we accelerate our transition to a clean energy economy and continue our fight against climate change, we cannot afford to forego this sustainability-minded method of revenue generation.

Hawai’i has proven itself a leader in the efforts against climate change, having been the first in the nation to declare a climate emergency and the first to set a net zero carbon emissions goal by 2045. But in order to achieve these goals, a reduction of emissions across all sectors is necessary. A fee on carbon, levied on fossil fuel distributors, is a proven and powerful method in reducing emissions. The fee will have its costs passed through the economy and create motivation in the market and in consumers to use newly cheaper, clean-energy produced products and services. To assist households with this economic transition, the carbon cashback element of HB2278 is essential. Low and middle income households come out ahead and receive more than their costs increase when 80 to 100% of revenue is returned. UHERO released a study on a carbon fee in Hawai’i that supports this and HB2278 models the fee successful in their study. The fee acts also as a green fee of sorts – visitors to the state would pay the tax similar to the TAT. The policy strengthens other environmental policies aimed at reducing emissions and does not conflict with them. Lastly, the Hawaii Tax Review Commission Study placed a carbon fee and dividend model first on their list of recommendations, noting that majority of the revenues be rebated as a cashback to residents.

For these reasons we strongly support HB2278. Thank you for your consideration.

HB-2278
Submitted on: 2/7/2022 12:34:53 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Brett Kulbis	Honolulu County Republican Party	Oppose	No

Comments:

Honolulu County Republican Party OPPOSES this bill. A carbon-dioxide tax would make everything more expensive for working families in Hawaii, drive up costs for businesses, and have an insignificant effect on global carbon dioxide emissions.

THE HEARTLAND INSTITUTE

A NATIONAL NONPROFIT ORGANIZATION THAT DISCOVERS, DEVELOPS, AND PROMOTES FREE-MARKET SOLUTIONS TO SOCIAL AND ECONOMIC PROBLEMS.

FREEDOM RISING

HERBERT J. WALBERG, PH.D.
CHAIRMAN EMERITUS

PRESIDENT
JAMES TAYLOR

VICE PRESIDENT
JIM LAKELY

PUBLISHER OF
BUDGET & TAX NEWS
ENVIRONMENT & CLIMATE NEWS
HEALTH CARE NEWS
SCHOOL REFORM NEWS

ARTHUR B. ROBINSON CENTER ON CLIMATE AND ENVIRONMENTAL POLICY

MICHAEL PARRY MAZUR LIBRARY

ANDREW BREITBART FREEDOM CENTER

3939 North Wilke Road
Arlington Heights, Illinois
60004

O. 312.377.4000
F. 312.277.4122
E. think@heartland.org

HEARTLAND.ORG

Testimony Before the Hawaii House Committee on Energy & Environmental Protection Regarding HB 2278

Tim Benson, Policy Analyst
The Heartland Institute
February 8, 2022

Chairwoman Lowen and Members of the Committee:

Thank you for holding a hearing on HB 2278, which would establish a carbon-dioxide tax on all fossil fuels emitted or sold by distributors in Hawaii.

My name is Tim Benson, and I am a policy analyst with The Heartland Institute. The Heartland Institute is a 37-year-old independent, national, nonprofit organization whose mission is to discover, develop, and promote free-market solutions to social and economic problems. Heartland is headquartered in Illinois and focuses on providing national, state, and local elected officials with reliable and timely research and analysis on important policy issues.

HB 2278 would establish a "state environmental response, energy, carbon emissions, and food security tax" that would be charged "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." This includes gasoline, diesel fuel, kerosene, butane, propane, aviation gas and jet fuel, and liquified petroleum gas.

The tax would also incrementally increase through 2035. For example, the tax on gasoline would begin at $5.27 per barrel in 2023 and top out at $33.16 per barrel in 2035, while the tax on diesel fuel would begin at $5.95 per barrel in 2023 and rise to $38.37 per barrel in 2035. (Propane would go from $3.80 to $21.97, butane from $4.26 to $25.44, kerosene from $5.93 to $38.15, jet fuel from $4.68 to $35.65, and aviation gas from $3.99 to $30.39, respectively.)

Included in the carbon-dioxide tax portion of the bill is a tax credit intended to "mitigate the effect of a carbon emissions tax on taxpayers." Single tax filers would receive a $65 tax credit in 2023 that would gradually rise to $480 in 2035. Married filers would receive $130 in 2023 and $960 in 2035.

These credits are necessary because carbon-dioxide taxes are inherently regressive and disproportionally harm low-income families. The Congressional Budget Office (CBO) found a $28-per-ton carbon tax would result in energy costs being 250 percent higher for the poorest one-fifth of households than the richest one-fifth of households.[1]

CBO reports the reason for cost discrepancy is "a carbon tax would increase the prices of fossil fuels in direct proportion to their carbon content. Higher fuel prices, in turn, would raise production costs and ultimately drive up prices for goods and services throughout the economy … Low-income households spend a larger share of their income on goods and services whose prices would increase the most, such as electricity and transportation."

A 2013 report by the National Association of Manufacturers estimates a $20-per-ton carbon-dioxide tax in Hawaii would result in a 5.3 percent increase in household electricity rates. Additionally, the tax would raise gasoline prices by more than 20 cents per gallon in just the first year alone.[2] In July 2012, Australia established a nation-wide carbon-dioxide tax set at $23 (Australian dollars) per ton and repealed it just two years later after it produced the highest quarterly increase in household electricity prices in the country's history.[3]

One other substantial problem with the carbon-dioxide tax is that it would produce an insignificant environmental benefit, as a country-wide carbon tax that completely reduces U.S. emissions to zero by 2050 would only avert global temperature by just 0.2 degrees Celsius by 2100.[4] A state-based carbon dioxide tax would have even less impact on global temperature.

Any environmental benefits that it might produce would be effectively meaningless without concomitant legislation enacted throughout the rest of the globe. In a December 2015 speech to the U.N. Framework Convention on Climate Change, former Secretary of State John Kerry said, "The fact is that even if every American citizen biked to work, carpooled to school, used only solar panels to power their homes, if we each planted a dozen trees, if we somehow eliminated all of our domestic greenhouse gas emissions, guess what—that still wouldn't be enough to offset the carbon pollution coming from the rest of the world."[5]

---

[1] Congressional Budget Office, *Effects of a Carbon Tax on the Economy and the Environment*, May 2013, https://www.heartland.org/_template-assets/documents/publications/carbon_one-column.pdf.

[2] Ann E. Smith et al., "Economic Outcomes of a U.S. Carbon Tax," National Association of Manufacturers, February 26, 2013, https://documents.nam.org/Nam.org_Web_Archive/www.nam.org/Issues/Tax-and-Budget/Carbon-Tax/CarbonTax%202%2022%2013.pdf.

[3] Alex Robson, *Australia's Carbon Tax: An Economic Evaluation*, Institute for Energy Research, September 2013, https://instituteforenergyresearch.org/wp-content/uploads/2013/09/IER_AustraliaCarbonTaxStudy.pdf.

[4] Patrick J. Michaels and Paul C. Knappenberger, "Current Wisdom: We Calculate, You Decide: A Handy-Dandy Carbon Tax Temperature-Savings Calculator," Cato Institute, July 23, 2013, https://www.cato.org/blog/current-wisdom-we-calculate-you-decide-handy-dandy-carbon-tax-temperature-savings-calculator.

[5] John Kerry, "Remarks on COP21 and Action Beyond Paris," U.S. Department of State, December 9, 2015, https://2009-2017.state.gov/secretary/remarks/2015/12/250502.htm.

As Oren Cass, senior fellow at the Manhattan Institute, noted in *National Affairs*, "The effectiveness of a carbon tax as a matter of environmental policy [depends] not only on how it would directly alter the trajectory of [local] emissions but also on its ability to affect global emissions by driving globally applicable technological innovation or by influencing the behavior of foreign governments. On each of these dimensions, the carbon tax fails."[6]

At 27.55 cents per kilowatt hour, retail electricity prices in Hawaii are already 160 percent higher than the national average and are by far the highest of any state in the country.[7] Gasoline prices, currently $4.41 per gallon on average across the islands, are the second-highest in the country, while diesel prices are also currently the second-highest in the country at $4.74 per gallon.[8] Think of what this massive tax increase would mean for gas prices. Are you sure this rebate will be able to cover just this increase in costs for a low-income family?

Think also of what this massive increase in taxes on jet fuel could mean for the state's tourism industry. How many potential visitors will be priced out of a visit to these beautiful islands because airfare is too expensive? Why pay so much extra to fly to Hawaii when they can always spend their tourist dollars in Mexico or the Caribbean? How many Hawaiians themselves will forego a trip to or from the mainland to visit family because the costs are just too prohibitive?

Therefore, Hawaii legislators should refrain from taking any self-defeating action, such as this tax, that would increase costs, especially when Hawaii's overall tax climate is already one of the ten worst in the nation.[9] This tax would make everything more expensive for working families in Hawaii, drive up costs for businesses, and have an insignificant effect on global carbon dioxide emissions.

Mahalo.

For more information about The Heartland Institute's work, please visit our Web site at www.heartland.org or http:/news.heartland.org, or contact our Government Relations Department at 312/377-4000 or reach them by email at governmentrelations@heartland.org.

---

[6] Oren Cass, "The Carbon Tax Shell Game," *National Affairs*, Volume 24, Summer 2015, https://nationalaffairs.com/publications/detail/the-carbon-tax-shell-game.

[7] U.S. Energy Information Administration, "State Electricity Profiles," November 4, 2021, https://www.eia.gov/electricity/state/.

[8] American Automobile Association, "State Gas Price Averages," accessed February 6, 2022, https://gasprices.aaa.com/state-gas-price-averages/.

[9] Janelle Camenga and Jared Walczak, *2022 State Business Tax Climate Index*, Tax Foundation, December 16, 2021, https://files.taxfoundation.org/20220104110127/2022-State-Business-Tax-Climate-Index3.pdf.

HB-2278

Submitted on: 2/7/2022 6:51:33 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Travis Idol	Hawaii Interfaith Power and Light	Support	No

Comments:

I am the President of Hawaii Interfaith Power and Light (HIPL), a local nonprofit dedicated to helping religious people and communities in Hawaii respond to the climate crisis according to their religious beliefs, values, and vision for the future.

HIPL is in support of HB2278, a bill to establish a carbon cash-back fee and program in Hawaii. Hawaii has declared a climate emergency and set a goal to be carbon neutral by 2045, so we need to be considering a variety of ways to reduce our emissions. While the state has done an admirable job of supporting the transition to renewable electricity production and zero-emission vehicles, we need to reduce emissions throughout the economy. Therefore, we need a policy that addresses emissions in multiple sectors.

A carbon cashback program would put a price on greenhouse gas (GHG) emissions through the existing barrel tax, making everyone aware of and responsible for more of their carbon footprint. An essential part of the program is that the funds would be returned to Hawaii's people, especially lower-income households. This would reduce its impact on the cost of living and encourage adoption of climate-friendly products, services, and activities of Hawaii's people.

For religious people and communities, this idea resonates with our own commitment to our religious beliefs and practices in all that we say and do. While this may seem hard and a burden to everyday living, it is our goal to live according to our values and beliefs and make our vision of a better future a reality for all. Likewise, while a carbon cashback program may seem like adding a tax or surcharge on all, or most all, of the products and services we need, it keeps our attention focused on the true cost of GHG emissions and encourages everyone to seek ways of life that realize our vision and help achieve our goal of a carbon-neutral future.

As a program, carbon cashback also supports other environmental policies aimed at reducing emissions. It rewards behaviors, products, and services that reduce GHG emissions and our carbon footprint. It is a green fee: visitors would pay the tax similar to the transient accommodation tax, and the money would be returned to HI residents. A carbon fee would be easy to implement as it simply means increasing the barrel tax. The State Tax Review Commission and the University of Hawaii Economic Research Organization (UHERO) both support a carbon cashback program. A UHERO study found

that, on average, low and middle income households would financially benefit from this type of program.

In short, a carbon cashback program aligns with religious principles and approaches to encouraging moral and righteous behaviors and realizing our vision for a just and sustainable future for all. It involves all of us in transforming our thinking, planning, and decisions while ensuring those in need are supported and not burdened by the efforts we all need to engage in to achieve that future.

Because of this, we urge you to support HB 2278.

HB-2278
Submitted on: 2/7/2022 8:05:56 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ted Bohlen	Climate Protectors Hawai‘i	Support	No

Comments:

To: The Honorable Nicole Lowen, Chair, the Honorable Lisa Marten, Vice Chair, and Members of the House Committee on Energy and Environmental Protection

From: Climate Protectors Hawai‘i (by Ted Bohlen)

Re: Hearing HB2278 RELATING TO ENERGY

Tuesday February 8, 2022, 8:50 a.m., by videoconference

Aloha Chair Lowen, Vice Chair Marten, and Members of the House Committee on Energy and Environmental Protection!

Position: Climate Protectors Hawai‘i **Support HB2278**

Carbon cashback is the program where polluters pay and people prosper.

Essentially, the companies that import fossil fuels into Hawaii would pay an increased fee for importing these polluting fuels, while a tax credit given back to resident taxpayers, would more than offset any increased costs that these companies pass on to consumers.

The resident tax credit is wholly paid for by the fossil fuel fee, including administration of the program.

Programs very similar to carbon cashback (ala: "carbon fee and dividend") have been studied both here in Hawaii and nationwide showing that when a program like this is implemented, carbon emissions are reduced while the majority of families financially are better off, especially low income families.

Please pass this important bill as a step toward mitigating the climate emergency!

Mahalo!

Climate Protectors Hawai‘i (by Ted Bohlen)

Par Hawaii

February 8, 2022

TESTIMONY PROVIDING COMMENTS ON HOUSE BILL 2278,

RELATING TO ENERGY

House Committee on Energy & Environmental Protection
The Honorable Nicole Lowen, Chair
The Honorable Tina Wildberger, Vice Chair

Tuesday, February 8, 2022 at 8:50 a.m.
VIA VIDEOCONFERENCE
Conference Room 325
State Capitol
415 South Beretania Street

Chairs Lowen, Vice Chair Wildberger and members of the Committee,

Thank you for this opportunity to submit written testimony offering comments and concerns on House Bill 2278, Relating to Energy. My name is Eric Wright, President at Par Hawaii. Par Hawaii is the state's only producer of petroleum products, including transportation fuels.

HB 2278 would effectively establish a carbon tax on fuel by increasing the Environmental Response, Energy and Food Security tax that is currently imposed on fuel. The bill would also establish a refundable income tax credit intended to mitigate the effect of the carbon emissions tax.

We recognize the importance of charting a clean energy future for Hawaii. As the local producer of fuels for Hawaii's consumers, we want to be a part of this future by producing clean fuel for Hawaii. This legislation would increase the cost of fossil fuels, but would not provide enough of an incentive for the local production of renewable fuels. For example, in California, renewable diesel is eligible for a low carbon credit that has ranged between $1.00-1.50 per gallon. We need incentives that will allow local producers to compete in the national and global market for renewables.

Over the past two years, several refineries in the US have announced plans to partially or fully convert to renewable fuels production, primarily renewable diesel. While the feedstocks vary, soybean and other vegetable oils will serve as the raw material for most of these renewable fuels. In Hawaii, we have very limited local sources of these oils. We are beginning the process of reaching out to large landowners in Hawaii to discuss ways we can work together to grow crops that will contribute to Hawaii's clean energy future.

We are also concerned about the bill's near-term impact on consumers. Energy prices have risen significantly over the past 12 months. The price of crude oil – the raw input for making fuels – has risen by 48% since last February. The carbon tax would add to energy costs paid by consumers. The new tax would start at approximately 10 cents per gallon for gasoline in 2023, but would rise quickly to 52 cents per gallon in 2025.

While the measure proposes a carbon emission dividend to create some equity, the bill will fall particularly hard on Hawaiʻi residents who live in suburban or rural areas and must endure long commutes to and from work every day, or drive long distances for family activities like sports events. In essence, this dividend would be primarily subsidized by these heavy users of fossil fuels.

In summary, any carbon tax policy should also adopt a more comprehensive program that includes incentives for locally produced biofuels. This more well-rounded approach to shifting Hawaii's energy mix to more renewable fuels needs to also recognize the global nature of the fuel market. Incentives should also be designed to ensure locally produced biofuels are competitive with other markets such as California. We believe this all-encompassing approach requires more thoughtful discussion and Par Hawaii would welcome the opportunity to participate in this important effort.

Thank you for allowing Par Hawaii the opportunity to present these comments for the Committee's consideration.

GRASSROOT
INSTITUTE OF HAWAII

February 8, 2022
8:50 a.m.
Conference Room 325 and Videoconference

To: House Committee on Energy & Environmental Protection
Rep. Nicole E. Lowen, Chair
Rep. Lisa Marten, Vice Chair

From: Grassroot Institute of Hawaii
Joe Kent, Executive Vice President

RE: SB2278 — RELATING TO ENERGY

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB2278, which would create a refundable income tax credit in the attempt to offset a massive increase in the tax on petroleum products and fossil fuels.

If enacted, this bill also would create an income tax credit that would be stepped up from $65 for single taxpayers and $30 for those filing jointly in 2023 to $480 plus an additional child credit of $240 for joint taxpayers in 2035 and beyond.

This tax credit is meant to offset a barrel tax that will go from $1.05 to between $3.78 and $6.46, depending on the type of fuel, in 2023. Gasoline will be taxed at $5.27.

By 2035, that tax will range from $21.84 to $42.24, depending on fuel type. The gasoline tax in 2035 will be $33.16 a barrel.

Energy taxes will also increase from the current 19 cents per 1,000,000 BTUs to $1.29 for coal and 80 cents for natural gas in 2023. By 2035, that tax will be $8.54 for coal and $4.80 for natural gas.

The proposal outlined in this bill appears to be based on the faulty idea that it is possible to reimburse Hawaii residents for the economic impact of a massive tax hike — as though taxes were simply a question of money-in, money-out, with the state government operating as a type of bank.

However, such an approach deeply underestimates the impact of tax hikes, most especially increases in energy taxes, on the economy as a whole.

Despite the tax credits included in the proposal, this bill would raise the cost of living in Hawaii. This bill is, in fact, a continuation of the policy of social-planning-via-taxation that has helped make Hawaii one of the most expensive states in the nation.

It should be noted that local businesses will have an especially difficult time dealing with the soaring energy costs that will come from this bill. Hawaii businesses are still struggling to recover from the effects of the coronavirus lockdowns. Many have closed their doors forever; others are barely hanging on. Raising fuel taxes will make it more difficult to survive and discourage new business and investment.

It is obvious that the real intent of this tax hike is to punish and change behavior rather than to increase revenues. However, it must be noted that the experience of the past year demonstrates that there are far better ways to generate more tax revenues than by levying higher taxes on Hawaii's struggling residents and businesses.

In our rebounding economy, even small economic gains have big effects. Thus, policymakers should focus on growing the economy, which would bring in more state revenues than a tax hike — and without any negative effects on business.

We are gravely concerned about the impact of the tax hikes proposed in this bill. Hawaii residents are already among the most taxed in the country; the state has the second-highest overall tax burden in the U.S. That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal appears to ignore challenges that our businesses and residents have had to face over the past two years. Hawaii's economy will take years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons we should be wary of implementing tax hikes. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.[1]

[1] Dave Segal, "Hawaii's unemployment rate hit nation-high 15% in September," Honolulu Star-Advertiser, Oct. 20, 2020.

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,[2] despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 32,237 people since fiscal 2016[3] has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.[4]

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.[5] Hawaii's top 1% already pays 23% of all income taxes in the state.[6]

It cannot be understated how much of an impact this bill, if enacted, will have on Hawaii's cost of living — a difference that cannot be captured in a simple tax refund.

Every business, from doctor's offices to grocery stores, will have to account for the higher energy costs and fuel costs, translating into higher transportation and delivery costs, that will result from this tax. Those costs will become part of their overhead and force them to raise prices accordingly.

Even if Hawaii residents could trust that the refund would not disappear and the tax not go even higher, the refund in this bill cannot come close to undoing the economic damage that this tax hike will do to the state.

In this session, we have heard a lot about helping lower income families, but this bill seems designed to make Hawaii even more unaffordable. If enacted, this bill will cause more businesses to close and more locals to leave Hawaii.

If policymakers are serious about helping working families, they should abandon the high-tax approach that has already established Hawaii as the state with the highest cost of living.

---

[2] "Tax Acts (by Year)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.
[3] "Annual Estimates of the Resident Population for the United States, Regions, States, the District of Columbia and Puerto Rico: April 1, 2010 to July 1, 2020 (NST-EST2020)" U.S. Census Bureau, Population Division, December 2020. See also, "U.S. Census data," accessed Jan. 3, 2022.
[4] "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "Sales Tax Burden," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.
[5] Katherine Loughead, "State Individual Income Tax Rates and Brackets for 2020," Tax Foundation, Feb. 4, 2020.
[6] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation, December 2020, Table 13A.

Instead, they should focus on lowering those costs, by reducing income taxes; creating an exemption to the general excise tax for groceries and medical services; lowering fees; and reducing regulations that limit opportunities and stifle economic growth.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President
Grassroot Institute of Hawaii

Environmental Caucus of The Democratic Party of Hawaiʻi

Energy & Climate Action Committee

Tuesday, February 8, 2022, 8:50 am

House Committee on Energy and Environmental Protection
HOUSE BILL 2278 – RELATING TO ENERGY

Position: Strong Support

Me ke Aloha, Chair Lowen, Vice-Chair Marten, and Members of the Committee on Energy and Environmental Protection:

The Carbon Cashback bill has finally arrived, after numerous consultations with legislators and adjustments for known circumstances.

This bill places a fee on carbon fuel to discourage activities that contribute greenhouse gases (GHG), which is an overriding priority on Planet Earth for the next decade. It follows a study by the university's Economic Research Organization (UHERO), showing that a redistribution to local households benefits all income levels greater than the increase in prices from the increased fee. Visitors pay the increase in prices without getting the dividend paid back to local families. This does not defray the emissions incurred by visitors flying in and back home, but benefits every other sector.

This bill is therefore a stand-alone atmospheric benefit and local household benefit, and a visitor impact fee. It is the Hawaii Tax Review Commission's highest recommended policy. We appreciate your full support.

Mahalo for the opportunity to address this matter.

Charley Ice & Ted Bohlen, Co-Chairs, Energy and Climate Action Committee
Environmental Caucus of the Democratic Party

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, FUEL, Adoption of Carbon Tax, Income Tax Credit for Low Income Ratepayers

BILL NUMBER: HB 2278

INTRODUCED BY: SAYAMA, BRANCO, CLARK, ELI, GANADEN, GATES, HASHEM, ICHIYAMA, ILAGAN, KAPELA, LOPRESTI, LOWEN, MARTEN, MCKELVEY, MIZUNO, NAKAMURA, NAKASHIMA, NISHIMOTO, PERRUSO, QUINLAN, TAKAYAMA, TAM, TODD

EXECUTIVE SUMMARY: Establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Amends the environmental response, energy, and food security tax to address carbon emissions.

SYNOPSIS: Adds a new section to chapter 235, HRS, granting a refundable tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers.

For single taxpayers or married filing separately:	
Calendar Year	Credit Amount
2023	$ 65
2024	210
2025	360
2026	380
2027	420
2028-2031	440
2032	450
2033	460
2034	470
2035 and thereafter	480
Plus, per qualifying child	___
For head of household:	
Calendar Year	Credit Amount
2023	$ 130
2024	420
2025	720
2026	760
2027	850
2028-2031	880
2032	900
2033	920
2034	940

2035 and thereafter	960
Plus, per qualifying child	___
For married filing jointly or surviving spouse:	
Calendar Year	Credit Amount
2023	$ 30
2024	100
2025	180
2026	190
2027	201
2028-2032	220
2033	230
2034	230
2035 and thereafter	240
Plus, per qualifying child	___

Defines a qualified taxpayer eligible for the credit as a resident taxpayer who files an individual income tax return.

Defines a qualifying child as a minor who resides with the taxpayer and is claimed as a dependent by the taxpayer.

Amends section 243-3.5, HRS, to rename the barrel tax the "environmental response, energy, carbon emissions, and food security tax." Raises the tax from $1.05 on each barrel or fractional part of a barrel of petroleum product to the following:

Product	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035+**
Butane	$4.26	$10.86	$17.73	$18.40	$19.09	$19.81	$20.55	$21.30	$22.08	$22.89	$23.72	$24.57	$25.44
Propane	$3.80	$9.46	$15.35	$15.93	$16.52	$17.14	$17.77	$18.42	$19.09	$19.78	$20.49	$21.22	$21.97
Gasoline	$5.27	$13.96	$23.00	$23.89	$24.80	$25.74	$26.71	$27.71	$28.74	$29.80	$30.88	$32.01	$33.16
Diesel	$5.95	$16.06	$26.57	$27.60	$28.66	$29.75	$30.88	$32.04	$33.23	$34.46	$35.73	$37.03	$38.37
Kero–sene	$5.93	$15.97	$26.42	$27.44	$28.50	$29.58	$30.70	$31.86	$33.04	$34.27	$35.53	$36.82	$38.15
Aviation gas	$3.99	$12.22	$20.77	$21.61	$22.48	$23.37	$24.28	$25.23	$26.20	$27.20	$28.23	$29.29	$30.39
Jet fuel	$4.68	$14.33	$24.37	$25.35	$26.37	$27.41	$28.49	$29.60	$30.74	$31.91	$33.12	$34.37	$35.65
No. 6 fuel oil	$6.46	$17.62	$29.22	$30.35	$31.53	$32.73	$33.98	$35.26	$36.57	$37.93	$39.33	$40.77	$42.25
LP Gas	$3.78	$9.41	$15.26	$15.83	$16.42	$17.03	$17.66	$18.31	$18.97	$19.66	$20.36	$21.09	$21.84
Other	$5.99	$16.18	$26.76	$27.80	$28.87	$29.98	$31.11	$32.28	$33.48	$34.72	$36.00	$37.31	$38.66

For non-petroleum fossil fuels, the tax per one million BTU is increased from 19 cents to:

Fuel	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035+**
Coal (all forms)	$1.29	$3.55	$5.90	$6.13	$6.37	$6.61	$6.87	$7.13	$7.39	$7.67	$7.95	$8.24	$8.54

Natural gas (including LNG)	$0.80	$2.04	$3.34	$3.47	$3.60	$3.73	$3.87	$4.02	$4.16	$4.31	$4.47	$4.63	$4.80

Replaces the existing earmarks of taxes per barrel with the following:

(1) $49,000 to the environmental response revolving fund;

(2) $147,000 to the energy security special fund; and

(3) $98,000 to the energy systems development special fund.

The tax is grandfathered as to coal used to fulfill an existing power purchase agreement in effect as of June 30, 2015, but grandfathering protection will not apply to a different PPA or an extension of the existing one.

Deletes the current exemption for aviation fuel.

Makes technical and conforming amendments.

EFFECTIVE DATE: Upon Approval, Section 2 applicable to taxable years beginning after December 31, 2022

STAFF COMMENTS:

Carbon Tax Generally: An economist from UHERO, the University of Hawaii Economic Research Organization, posted an analysis arguing that strong, decisive action such as a carbon tax is going to be needed if we are going to achieve the greenhouse gas goals. “But without any specifics as to how we are to achieve [greenhouse gas] reductions – through a carbon tax or otherwise – it is largely symbolic,” she argues.

So what is a carbon tax? It is a tax imposed on the carbon content of different fuels. Typically, it is due and payable when the fuel is either extracted and placed into commerce, or when it is imported. At present, neither the U.S. federal government nor any U.S. state has enacted a carbon tax. The city of Boulder, Colorado, enacted one by referendum in 2006; it applies at the rate of $7 per metric ton of CO2 and is imposed on electricity generation only. Several European Union countries, Japan, and South Africa have carbon taxes.

Presently, we have a liquid fuel tax (chapter 243, HRS). Like a carbon tax, the fuel tax is imposed upon import and entry into commerce. So, PFM Group, the consultant employed by the Hawaii Tax Review Commission, in its final report thought that the systems and processes we now have in place to collect fuel tax in Hawaii can be adapted to a carbon tax, and for that reason concluded that a carbon tax would entail “[l]ittle administrative burden.” There are, however, several important differences between the two.

Both the county and state governments are given the power to impose fuel tax. This bill does not repeal the state fuel tax and does not affect the counties’ power to impose fuel tax. Rather, the carbon tax is to replace the barrel tax which is now imposed at $1.05 per barrel of imported petroleum product and on other fossil fuels based on BTU equivalent.

The potential big losers will be the electric companies, because electric generation accounted for 6.8 million metric tons of CO_2 that Hawaii produced in 2013 out of a total 18.3 million metric tons. However, the electric companies won't simply absorb the tax, but can be expected to pass on the enhanced costs to anyone who gets an electric bill.

Maybe it's good for lawmakers to worry about the end of the world as we know it, which perhaps will be staved off by the social change the tax encourages. But their constituents are worried not about the end of the world, but the end of next week. Will their paychecks be enough to pay the rent, keep the lights on, or feed the family? If the cost of simply driving to work from the suburbs is horrible now, just wait until the tax kicks in.

And if you think the hammer of a carbon tax will fall most heavily on huge, faceless corporations like the electric company, the airlines, or the shippers, think again. Businesses can and will pass on any enhanced costs to their consumers if they hope to continue providing their products or services. That means our already astronomical cost of living could head further up into the stratosphere.

Applicability of Tax to Aviation Fuel: There is an issue as to whether this tax would be preempted by federal law. The federal Anti-Head Tax Act, 49 U.S.C. §40116, prohibits any tax, fee, or charge first taking effect after 1994 exclusively upon a business located at an airport unless the tax, fee, or charge is wholly utilized for airport or aeronautical purposes. 49 U.S.C. § 40116(d)(2)(A)(iv). Nothing in this bill says that any part of the revenue from the new carbon tax will be exclusively used for airport purposes. Even if it did, there is an issue as to whether the "tax credit to mitigate the effect of a carbon emissions tax on lower income taxpayers," as the bill titles it, would be considered a use of the tax that is unrelated to airport purposes. This would be a question of federal, not state, law.

Digested: 2/5/2022

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

P.O. Box 37158, Honolulu, Hawai`i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Rep. Nicole E. Lowen, Chair
Rep. Lisa Marten, Vice Chair

DATE: Tuesday, February 8, 2022
TIME: 8:50 AM

HB 2278 Carbon Tax **OPPOSE**

Aloha Chair Lowen, Vice Chair Marten, and Members of the Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 52 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

This bill would make Hawai`i the outlier, the only state in the nation with a carbon tax. Doing it right would generate positive spin. Screwing it up would have the opposite effect.

Govt Policy	*Impact*	*Effective Widget Cost*
Current Situation		*$1,000*
Government Imposes Tax	*$100*	*$1,100*
Government tax credit	($100)	$1,000

Widget Tax Proponents: This tax will change consumer behavior !!!

Widget Tax Skeptics: How will this sharply reduce widget sales ???

.

Food and Water Watch: Output of greenhouse gases (kilotonnes) in taxed and untaxed sectors of the economy.

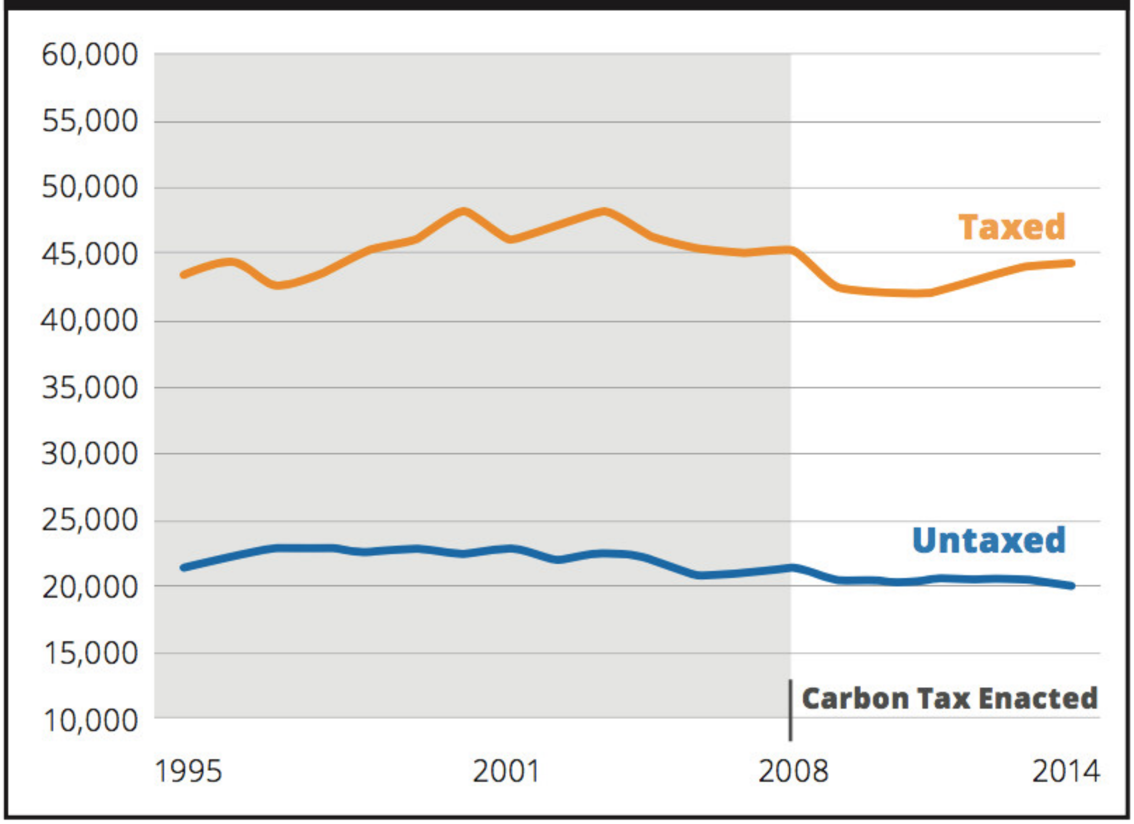


Fig. 1 • British Columbia Greenhouse Gas Emissions by Carbon Tax Status, 1995-2014

SOURCE: F&WW analysis of Government of British Columbia Summary of GHG Emissions, 1990-2014.

Business Flight

Imposing tax on local production but not out-of-state production that is imported will encourage producers to leave the state.

This has been proven. Europe and the U.S. have decreased GHG emissions by exporting industries to China and buying the goods produced while blaming the Chinese for rising GHG emissions.

Self-Defeating

If the intent of the carbon tax is to raise the cost of greenhouse gas emissions, then returning the money to the public defeats that purpose. Industry will simply raise prices. If residents gain additional funds via the tax, they will either buy more goods that were produced using greenhouse gas emitting processes or invest the money so other people can borrow money to buy goods.

Verification

Carbon taxes are often one component of a portfolio of climate change solutions. Isolating their impact can be difficult.

Carbon tax proponents write studies that assert that carbon taxes work. Meanwhile, greenhouse gas emissions continue to rise.

Marriage licenses, property taxes, and income taxes raise funds but do not decrease activity.

Loss of Trees

Many countries that have imposed a carbon tax have also politically defined tree-based electricity to be carbon neutral, and many of these places have replaced coal-based electricity with tree-based electricity.

Proving that there is or isn`t a causational link between carbon taxes and tree burning is beyond complex.

Global Carbon Taxes

Most global carbon taxes are so low as to not have any impact at all. Many places choose only to tax some products and/or industries.

Fossil Fuel Industry

The six trillion-dollar fossil fuel industry is awash in funds to support studies. In addition, the ***fossil fuel industry*** benefits from subsidies of $11m every minute, according to analysis by the International Monetary Fund.[1]

Fossil fuel industries support taxes that will allow continuation of business-as-usual. It will promote greenwashing. Industry can be part of the solution while being the source of the problem.

Green Fees

One proposal is to impose a carbon tax on visitors and residents but to give the money back only to residents. This is equivalent to a visitor green fee. If each resident receives the same payment, then the less fortunate will receive a relatively higher share compared to their total income.

This assumes a minimal overhead and that there is an equitable and effective way to get the money into the hands of all residents. It also assumes that a future legislature will not reallocate some or most of the funds to the general fund.

British Columbia

Greenhouse gas emissions is associated with economic activity. The British Columbia carbon tax was imposed at the beginning of the 2008 global economic meltdown, and emissions fell.

Food & Water Watch wrote a report in 2016.[2]

“Carbon tax proponents have significantly overstated the purported beneficial effects of the British Columbia carbon tax. Although greenhouse gas emissions have continued to decline since the 2004 peak through the first full year the carbon tax was in place, the initial decline under the tax from 2008 to 2009 was

[1] https://www.theguardian.com/environment/2021/oct/06/fossil-fuel-industry-subsidies-of-11m-dollars-a-minute-imf-finds
[2] The British Columbia Carbon Tax A Failed Experiment in Market-Based Solutions to Climate Change https://www.foodandwaterwatch.org/wp-content/uploads/2021/09/rpt_1609_carbontax_web17011.pdf

more likely recession-related, as the tax does not appear to have had a long-term impact.

“Greenhouse gas emissions have been rising rapidly in recent years even as the tax rate and total tax revenues have increased. Moreover, the short-term declines in taxed greenhouse gas emissions were more modest and were reversed more quickly than the changes to the untaxed greenhouse gas emissions — exactly the opposite of what would happen if carbon taxes had a causal impact on changing emissions.

“Carbon tax advocates have been able to promote the British Columbia model as a success only by looking at a very narrow time window of the few years after the carbon tax went into effect, including 2008 when the tax was in effect for only six months.

“The 2009 reductions appear to be part of a longer-term cyclical decline from the peak in 2004. Earlier short-term examinations of the carbon tax claim that the policy has reduced greenhouse gas emissions by a total of between 5 and 15 percent. But this assessment overstates the short-term decline and ignores the reversal in more-recent years.”

Mahalo

Henry Curtis
Executive Director

HB-2278
Submitted on: 2/3/2022 5:10:16 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Barbara Barry	Individual	Support	No

Comments:

Aloha,

I strongly support HB 2278,

Mahalo,

Barbara Barry

HB-2278
Submitted on: 2/3/2022 7:20:57 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ruta Jordans	Individual	Support	No

Comments:

I am writing in support of HB2278 for a carbon tax and income tax credit. However, upon reading this part of the bill: "The study concludes that the consumption of fossil fuels would be substantially reduced in both tax scenarios and that distributing most of the tax revenue to Hawaii's households in the low tax scenario would create a net financial benefit to most of Hawaii's households, with the largest net financial benefit to low-income households." I find that the way the income tax credits are currently written there is no larger net financial benefit to low-income households. I would suggest that low-income households (found through previous year's income tax documents) would benefit much more from being given a direct monetary amount, without needing to be an accountant to complete tax forms. Please refigure the remuneration based on a household's income, with low-income households receiving more, and give them actual money, not a tax credit!

HB 2278 TESTIMONY

To: House Committee on Energy and Environmental Protection
Hearing on Feb. 8, 2022 at 8:50 a.m.

From: John Kawamoto

Position: Support

According to the narrative in Section 1 of HB 2278, more than 3,500 economists, 28 Nobel Laureate economists, four former Chairs of the Federal Reserve, and 15 former Chairs of the Council of Economic Advisors have endorsed a statement endorsing a tax on fossil fuels.

A tax on fossil fuels was considered last year at a hearing on HB 1319. The testimony was overwhelmingly in support of it. Testifiers cited mitigation of climate change and net financial benefits to households.

Of those who opposed the bill, most said they did so because they were uncertain of the outcomes. Since then, a study by the University of Hawaii Economic Research Organization (UHERO) entitled, “Carbon Pricing Assessment - Economic and Greenhouse Gas Effects,” has been released. It is an in-depth evaluation of a fossil fuel tax, and it answers many of the questions that had arisen. The study was initiated by the Legislature, which appropriated $150,000 for it.

In evaluating the tax, the UHERO study examines a low tax scenario and a high tax scenario. In both scenarios, the tax rates would increase in stages over time, and in both scenarios the tax would substantially reduce greenhouse gas emissions.

The study also describes the results of distributing all of the tax revenue to households in equal shares. The study finds that the two tax scenarios would have opposite effects on household welfare. Under the high tax scenario, household welfare would diminish among households of all income quintiles, with the greatest loss experienced by households in the lowest income quintile. Under the low tax scenario, household welfare would increase among households of all income quintiles, with the greatest gain experienced by households in the lowest income quintile.

Under the low tax scenario, the average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. That decline is consistent with declining greenhouse gas emissions, the purpose of the tax.

HB 2278 adopts the low tax scenario of the UHERO study, with adjustments that ramp up the tax in stages. The bill also accelerates the time frame for the increases in the tax rates. According to most climate scientists, new data show that we have less time than we previously thought to make the drastic changes needed to avoid a global climate disaster.

The bill assesses the tax using the existing Environmental Response, Energy, and Food Security Tax, also knows as the barrel tax. It should be noted that the unit of measure used by the UHERO study ("MT CO2 Eq.") is different from the units of measure used by the barrel tax ("barrels" for petroleum and "millions of British thermal units" for other fossil fuels). HB 2278 makes the necessary conversions.

The UHERO study concludes that the low tax scenario would reduce greenhouse gas emissions 40% below 2019 levels. If revenues are distributed to households in equal shares, the tax would be progressive. HB 2278 incorporates both of these ideas.

HB 2278 is one of many efforts that Hawaii can take to mitigate climate change, and this bill may be used in conjunction will all other efforts.

Legislation similar to HB 2278 is being considered at the federal level. Hawaii can demonstrate national leadership on climate change by paving the way for national legislation. U.S. Supreme Court Justice Louis Brandeis said that the states are the laboratories for democracy. To avoid potential duplication, HB 2278 should be amended to be repealed in the year that any similar federal legislation becomes operational.

With that amendment, I support HB 2278.

HB-2278
Submitted on: 2/4/2022 12:08:08 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Caroline Azelski	Individual	Support	No

Comments:

Please allow me to register my STRONG SUPPORT. Please vote YES. Thank you for your time and consideration with this bill.

HB-2278
Submitted on: 2/4/2022 1:25:05 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Barbara Best	Individual	Support	No

Comments:

Carbon fee is what will get us to our goals and a dividend feature keeps lower income homes from undue suffering. Economists agree it's necessary.

Mahalo

HB-2278
Submitted on: 2/4/2022 2:17:50 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Tawn Keeney	Individual	Comments	Yes

Comments:

It would be widely agreed that HB2278 is one of the two or three most important Bills of this session.   Pricing Carbon is of profound importance to society. However, please consider the following comments:

From the preamble to the bill HB2278: “The World Bank asserts that "carbon pricing is the most effective way to reduce emissions, and all jurisdictions **must go further and faster in using carbon pricing policies** as part of their climate policy packages.”

The preamble continues: "Over three thousand five hundred economists, twenty-eight Nobel Laureate economists, four former chairs of the Federal Reserve, and fifteen former chairs of the Council of Economic Advisors have signed a statement endorsing carbon pricing. The statement reads, in part, "[a] carbon tax offers the most cost-effective lever to reduce carbon emissions **at the scale and speed that is necessary.**" The statement goes on to say that the carbon tax should be **increased until emission reduction goals are met.**”

My Testimony will examine HB2278 in the context of 1) the Bill's frequently referenced UHERO (University of Hawaii Economic Research Organization) Carbon Pricing Study; 2) the above referenced quotations in the preamble; 3) the international embrace of carbon pricing, as the United States has lagged far behind the world's standard bearers in this regard.

The price on carbon proposed in HB2278 and scaled over the next 20 years is insufficient to have significant effect toward Hawaii GHG mitigation efforts. The effect will be to retard meaningful progress by diverting meaningful solutions. This legislature must adopt a more aggressive price on carbon which will be effective toward Hawaii’s Climate Goals. We were the first state to set a Carbon Neutrality goal by 2045 and the first state to declare a climate emergency. We must lead aggressively again.

HB2278, in its preamble, states: “The UHERO study examines two levels of carbon taxes – a low tax scenario and a high tax scenario.” “This Act incorporates many of the elements of the ‘low tax scenario’ of the UHERO study.”   UHERO’s 'low tax scenario' begins with a carbon price of $50/ton of emitted CO2(e) and reaches $70/ton by 2045. The 'high tax scenario begins at $250/ton of emissions and hits $1000/ton by 2045. HB2278's Carbon price in 2024 averages about $15/barrel of oil. This is the equivalent of approximately $40/ton of emitted CO2(e). This rises to about $80/ton CO2(e) in 2035 and remains at that level. HB2278's schedule is therefore slightly more aggressive than UHERO's 'low tax scenario'.

The Conclusion of the UHERO study says the following about the effects of this 'low tax scenario'. "… reduces Hawai'i's cumulative GHG emissions between 2025 and 2045 by 25 MMT (million metric tonnes) CO2(equivalents). In the year 2045, GHG emissions are 13% below 2045 baseline levels and 40% below 2019 levels." UHERO is here recognizing that within the current regulatory framework, Hawaii will see a reduction in GHG emissions. Adding the 'low tax scenario' will decrease the emission levels in 2045 another 13%. With the current regulatory framework and the 13% reduction by this tax, by 2045 yearly emissions will reach a 40% reduction below 2019 levels. With this tax, total accumulated CO2 will decrease by 25 million tons by 2045. Again, HB2278 will be slightly more aggressive than this 'low tax scenario'.

UHERO posits a 'high tax scenario' also. It starts at $240/ton CO2(e) emissions and reaches $1000/ton by 2045. In this scenario the cumulative GHG CO2(e) emissions are reduced by 150 million tons, not the 25 million tons achieved by 'low tax'. In the year 2045 emissions are 70% below 2045 baseline (not the 13% in the low tax scenario) levels, and 80% (not the 40% achieved in the 'low tax scenario') below 2019 levels. This is much closer to Hawaii's goal of 100% carbon neutrality by 2045.

The UHERO study posits that by 2045 under the low tax scenario vehicle miles travelled by Electric Vehicles increases by 8%, and 52% under the 'high tax scenario'.

The high tax scenario achieves the goals of the World Bank, the economists & the Nobel laureates, but at what cost to the economy? The UHERO study has the answer: "The higher carbon tax scenario, $1000/ton CO2(e) leads to a much bigger drop in total output than the lower tax scenario. By 2045 there is a -4.7% difference in total output from the baseline…." "Note that these declines are relative to a baseline of growing GSP (Gross State Product). Thus it is not a decline from the 2019 economy, but rather represents a slower growth pathway."

The conclusion is that the economy will grow 'somewhat' more slowly in the 'high tax scenario'. However, rather than the carbon emissions declining by 25 million tons, they will diminish by 150 million tons. Rather than a 13% drop in greenhouse gas emissions, a 70% drop will be achieved.

DBEDT in 2018 projected the Hawaii economy in 2020 would reach 86 billion in GSP (gross state product) and by 2045 will have reached $131 billion (in 2012 dollars). A 4.7% drop in total output will place the economy instead at $125 billion. The authors of HB2278 endorse a cost/benefit analysis which some (particularly the children) might find quite questionable, a 5% drop in the economic output discourages the 125 million tons saved in GHG emission.

Consider the world stage. Canada has committed that it's current carbon price of $40CAN/ton will reach $170CAN/ton ($130US/ton) by 2030. The current price of carbon emissions in the EU European Trading System is $94US/ton CO2(e) emissions, and analysts expect a rise to $105 by 2024. Sweden's Carbon tax currently is $127US/ton.

There is a third alternative between the ‘low tax’ and ‘high tax scenarios. The UHERO study states "There are decreasing gains in GHG abatement around $300-400/ton CO2(e) as the marginal cost of abatement increases rapidly at these carbon prices."

This ‘middle ground’ might start at the $40/ton level but increase much more rapidly, as encouraged by this Bill’s World Bank reference, the three thousand economists and twenty eight Nobel laureates. One year ago this legislature resolved that there exists a Climate Emergency. Enacting a Carbon Tax in the ‘Low Tax Scenario’ would effectively deny that the Climate Emergency is real. Consideration should be given to reaching at least the price on Carbon achieved in Canada and Europe by 2030, presumably at least $130/ton, and then $200/ton by 2035, and then $300 to $400/ton by 2045.

Please amend this bill in such a way as to reflect that the Climate Emergency is real, and we are committed to a response that reflects the gravity of the existential threat.

Mahalo for your consideration

Tawn Keeney MD

HB-2278
Submitted on: 2/4/2022 3:59:53 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Conner Higashino	Individual	Support	No

Comments:

Carbon tax is an effective way to reduce emissions. It's important that we pass this earlier than later.

HB-2278
Submitted on: 2/6/2022 12:09:52 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Lee Curran	Individual	Support	No

Comments:

Aloha Chair Lowen, Vice Chair Marten and Committee Members.

My name is Lee Curran and I am testifying as an individual who is a co-facilitator of the Transformative Justice Task Force which is part of Faith Action for Community Equity, (FACE) I am testifying in SUPPORT of House Bill 2278.

Although my primary focus is cash bail reform this legislative session, I feel moved to testify in support of HB2278. Admittedly, I don't understand all the science and economic ramifications of this bill. I do know that the myriad of injustices in Hawai'i nei are intersectional and addressing environmental racism and perhaps the biggest crisis in the history of humankind cannot be ignored and that all other injustices become both exacerbated and/or a moot point if we don't have an inhabitable planet to reside on.

The Island Voices column in today's, 2/6/2022 Star Advertiser amplified this bill and its immedience to become law in many powerful ways, including this quote: "The fossil fuel industry has avoided an estimated $2.5 trillion in health and environmental costs each year worldwide. This avoidance suppresses the prices of fossil fuels below their true cost, encourages consumption, and escalates climate change. Who pays? We do, and, in many cases, we aren't even aware of it."

We are all paying the price in an exorbitant way; damage to our planet, including environmental racism and the far-reaching impacts of colonialism. We are also "under paying" as referenced in the quote…. We pay for fossil fuels below their true cost. I experienced this first hand while visiting family in Germany where the fuel costs are significantly higher and reflect the true cost of fossil fuels.

I am grateful for this opportunity to testify in support of HB2278 and ask that this message of change, grounded in care, compassion and community, sits on your hearts and impacts your decision-making as you create laws that recognize and uplift the humanity and inherent dignity and worth of the people of Hawai'i now and in future generations.

With hope for a more just, equitable and inhabitable Hawai'i nei,

Lee Curran

Makaha, Oahu 96792

HB-2278
Submitted on: 2/6/2022 12:49:22 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Megan Lamson Leatherman	Individual	Support	No

Comments:

Mahalo for the opportunity to testify on bill (HB2278), that would "establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers. Amends the environmental response, energy, and food security tax to address carbon emissions."

I WHOLEHEARTEDLY SUPPORT THIS INITIATIVE TO ESTABLISH A CARBON TAX.

However, I would only like to mention that the sooner that we can implement this, the better. Last, as mentioned within the language of the bill, "the UHERO study examines two levels of carbon taxes – a low tax scenario and a high tax scenario" and I would suggest amending this bill as written to implement the "high-tax scenario" for this measure versus the "low-tax scenario" as proposed.

If we are serious about reaching our goal to become carbon neutral state by 2045 - as proposed by Gov. Ige with the signing of bill **HB2182** in 2018 - then we need to take big, bold action now. If we care to have our keiki and grandkids see living coral in the coming generations, then we need to take action NOW. This bill HB2278 is a step in the right direction should absolutely be supported, and even increased in its impact, and will help us address (and assess / reduce our contribution) the global climate crisis here locally.

Many thanks for your time and consideration.

Best,

Megan Lamson Leatherman, M. Sc.

Honalo, North Kona

HB-2278
Submitted on: 2/6/2022 12:59:07 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Susan Lord	Individual	Support	No

Comments:

Dear Legislature

My husband and I strongly support your action to institiute carbon pricing. We urge you to do so as rapidly as possible. Mankind has little time to slow down our carbon emissions (until the end of this decade) so we have to fund the change off carbon as quickly as possible.

The effects of global warming on aquatic life and reefs are being seen now. The loss of fishing and reefs to our islands directly affects jobs and homes . As the oceans heat up, the air heats up and begins to move faster, larger waves are generated. Larger waves stops smaller fishing boats from going out. Also hotter air generates more hurricanes. The threat of devastation to our economy and our ohana is real and enormous. We NEED to act now.

Our Tax Review Commission says a carbon tax is their top recommendation. They recommend a carbon tax and giving most of the funds back to Hawaii residents.

Climate Scientists, economists and the Intergovernmental Panel on Climate Change (United Nations panel reviewing the science of climate change) calls carbon pricing essential to getting off fossil fuels (decarbonization). Economists, climate scientists, scores of Nobel laureate economists have endorsed pricing carbon. Many faith groups support carbon pricing. Pope Francis declared carbon pricing essential to addressing global warming.

Please Please do not delay. Thank you Susan & David Lord

HB-2278
Submitted on: 2/6/2022 1:55:05 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Keith Neal	Individual	Support	No

Comments:

The urgency to shift our energy consumption to clean renewable energy sources is real. Not withstanding the current, and continued pollution of ocean, fresh water, land, and air. Hawaii's current sources of foreign imported petroleum comes from Russia and Libya (1), not especially great allies of the USA. The World Bank has determined fossil fuel production is subsidized globally by $5.2B annually!(2)

The age of combustion is over, to continue, we do so at our collective peril.

I support HB2278 as it would put a fee on carbon imports and return a dividend to Hawaii residents. A carbon fee and rebate mechanism would drive energy innovation and mitigate economic impact to Hawaiian families.

Respectfully submitted,

Keith Neal

Member; Hawaii Island, Citizen Climate Lobby

References:

1) https://www.eia.gov/state/analysis.php?sid=HI

*U.S. EIA, Refinery Capacity Report (June 22, 2020), Table 3, Capacity of Operable Petroleum Refineries by State as of January 1, 2020.
*U.S. EIA, Refinery Capacity Report (June 21, 2019), Table 12, Refinery Sales During 2018.

2) https://www.weforum.org/agenda/2020/06/end-fossil-fuel-subsidies-economy-imf-georgieva-great-reset-climate/

HB-2278
Submitted on: 2/6/2022 2:36:04 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Roberta Baker	Individual	Support	No

Comments:

Please vote for HB2278.

This is an important way to put a price on carbon AND help offset the increased prices at the pump for the people of Hawaii.

Once again, Hawaii has an opportunity to lead and show the rest of the world what a compassionate, caring government acts like.

HB-2278
Submitted on: 2/6/2022 4:22:17 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Gerard Silva	Individual	Oppose	No

Comments:

There is no Carbon problem just a Government and Media Problem All LIES.

The people Now whats going on Now. We are tired of all the Bull Shit in Government!

HB-2278
Submitted on: 2/6/2022 5:00:47 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Matthew Geyer	Individual	Support	Yes

Comments:

I am testifying in STRONG SUPPORT of HB2278.

Programs very similar to HB2278 have been studied both here in Hawaii and nationwide showing that when a program like this is implemented, carbon emissions are reduced while the majority of families financially are better off, especially low income families.

Under this the program, polluters pay and people prosper.

Essentially, the companies that import fossil fuels into Hawaii would pay an increased fee for importing these polluting fuels, while a tax credit given back to resident taxpayers, would more than offset any increased costs that these companies pass on to consumers.

The resident tax credit is wholly paid for by the fossil fuel fee, including administration of the program.

HB2278 is a big win for our environment and for the vast majority of the residents of Hawaii, especially low income residents.

Thank you for hearing and supporting this urgently needed measure.

Matthew Geyer

HB-2278
Submitted on: 2/6/2022 5:56:02 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Douglas Hagan	Individual	Support	No

Comments:

My name is Doug Hagan. I am a resident of Paia, Hawaii and a climate advocate volunteer with the Citizens Climate Lobby chapter here in Maui. These are solely my individual requests and opinions.

I am in support of a resolution to support HB 2278

- **Please enact a carbon tax this year and do not defer this important legislation to a later date.**
- **In December 2019 the Maui County Council unainmously passed Resolution #20-023 in support of national carbon pricing. ttps://www.mauicounty.gov/DocumentCenter/View/121433/Reso-20-023**
- **The Maui County Council passed Resolution #20-024 in full support of Hawaii state legislation supporting carbon pricing. https://www.mauicounty.gov/DocumentCenter/View/121434/Reso-20-024**
- **Please consider the voluminous research which has been done on carbon dividend as an effective solution for combating climate change - including a study published Columbia University and some of the benefits of a carbon dividend approach found here.**
- **Please consider the further studies of the Regional Economic Models, Inc. (REMI) found here.**
- **The Hawaii specific study shows that lower income population segments can benefit, rather than negatively impact the more vulnerable segments of our island population. Please consider returning more of the carbon tax – as is done by the carbon dividend approach.**
- **from Hawaii Tax Review Commission Study - The Hawaii Tax Review Commission, composed of citizens selected by Governor Ige recently recommended a carbon fee and dividend model. It is first on their list of recommendations. With fossil fuels priced to include their planetary impact, a fee incentivizes using alternatives to fossil fuel for energy production, gas-powered appliances and vehicles, which would in turn reduce the devastating effects of climate change. The dividend more than covers the increased cost for those who use less or no fossil fuels.**

- **The UHERO study answers many of the questions about a tax on fossil fuels. However, the study was issued after the only bill taxing fossil fuels that received a hearing in 2021 had died (HB 1319).**
- **In evaluating the tax, the UHERO study examines a low tax scenario and a high tax scenario. In both scenarios, the tax rates would increase in stages over time, and in both scenarios the tax would substantially reduce greenhouse gas emissions. The study also describes the results of distributing all of the tax revenue to households in equal shares. The study finds that the two tax scenarios would have opposite effects on household welfare. Under the high tax scenario, household welfare would diminish among households of all income quintiles, with the greatest loss experienced by households in the lowest income quintile. Under the low tax scenario, household welfare would increase among households of all income quintiles, with the greatest gain experienced by households in the lowest income quintile. Under the low tax scenario, the average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. That decline is consistent with declining greenhouse gas emissions, the purpose of the tax.**

Thank you

--Doug

HB-2278
Submitted on: 2/6/2022 7:57:42 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Hilary Parkinson	Individual	Support	No

Comments:

HB2278 directly addresses the need to reduce emissions economy wide. It acts as a green fee with visitors paying the tax similar to the TAT and the money flowing back to HI residents. It will not disproportionately impact the poor. It's a progressive tax with low and middle income households doing better. It would be easy to implement as it simply means increasing the barrel tax. The State Tax Review Commission says its their top recommendation. They recommend a carbon tax and giving most of the funds back to Hawaii residents. The UHERO study commissioned by the legislature found that on average low and middle income households benefit. If we want to get to net zero by 2045 we need to take steps to make that happen. This is a critical step in the right direction.

Please support this bill.

Hilary Parkinson

HB-2278
Submitted on: 2/6/2022 9:03:10 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Graham	Individual	Support	No

Comments:

I strongly support HB 2278, and I ask the Committee to consider these points:

- The bill would go a long way toward meeting Hawaii's goal of becoming carbon neutral by 2045, and would set a critically important precedent for other states and the nation to follow.
- The bill would implement a key recommendation of Hawaii's 2020-2022 Tax Review Commission: Enact a carbon tax that reflects the social cost of carbon, and return most of the proceeds to households.
- The bill's tax credit would make the carbon tax a progressive one. Recent work by the University of Hawaii Economic Research Organization indicates that lower and middle income households would actually come out ahead.
- The carbon tax and credit scheme would not conflict with or complicate other actions Hawaii can take to reach its energy goals and address climate change.

HB-2278
Submitted on: 2/6/2022 9:40:16 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Robert Culbertson	Individual	Support	No

Comments:

Aloha Chair Lowen and members of the EEP committee!

I support HB 2278 provided the incentive approach either by cash dividends or tax credits are credible enough to offset the burden of an added tax.

We desperately need the right pricing signals now to offset the market distortions made worse by a legacy of subsidies to fossil fuel companies over the decades. (The World Bank has determined fossil fuel production is subsidized globally by $5.2B annually!)

Thank you all for stepping up boldly and acting decisively!

Sincerely,

R A Culbertson

Honokaa

HB-2278
Submitted on: 2/6/2022 9:43:12 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Paul Bernstein	Individual	Support	Yes

Comments:

Aloha Chair Lowen and Vice Chair Marten:

Thank you for hearing HB 2278. I'm writing in strong support. As a co-author of the carbon pricing studies submitted to the Hawaii State Energy Office (2021) and the Tax Review Commission (2022), I support the bill for the following reasons:

1. It is the most cost-effective policy to reduce carbon emissions as it corrects an existing market failure by internalizing the social cost of burning fossil fuels.
2. It is an "AND" policy when it comes to reducing emissions as it strengthens other environmental policies aimed at reducing carbon emissions because it makes using fossil fuels more expensive such as HB1800, HB1801, and HB1809 that passed out of this committee last week.
3. It is progressive. On average, it financially benefits low and middle income households. Benefiting the lowest income households the most.
4. It addresses the environmental impacts of visitors and compensates residents. Visitors will pay the carbon tax just like the transient authority tax (TAT), and as a bonus, the carbon tax revenues will go to Hawaii residents.

As a parent, I would like to leave for my children a better, more livable planet. I see carbon pricing with the returning of revenues to residents as the most efficient, effective, and equitable path forward for a cleaner Hawaii and planet and therefore a necessary policy.

As a side note, some folks have raised opposition to carbon pricing because it can incentivize the burning of trees. To me this issue is not a failure of carbon pricing, but rather it points out the need for the legislature to enact laws that prevent the use and/or do not reward the use of bio-based fuels with life cycle emissions exceeding or close to that of fossil fuels. Therefore, separate legislation addressing the burning of trees should accompany carbon pricing.

Please pass HB2278 out of your committee.

Mahalo nui loa,

Paul Bernstein

HB-2278
Submitted on: 2/7/2022 6:14:49 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Virginia Tincher	Individual	Support	No

Comments:

Thank you for hearing HB2278, an important addition to taking effective climate action now.

Strong support for HB 2278 - Tax on carbon emissions returning the fee to Hawaii residents

HB 2278 strengthens other environmental policies aimed at reducing emissions.

It is the number 1 recommendation of the Hawaii State Tax Review Commission - a carbon tax and giving most of the funds back to Hawaii residents.

Low and middle income households do better. In fact, all households on average do better if 80 to 100% of the revenues are returned to Hawaii residents.

The average household in the lowest income quintile would experience a net benefit of $900 in the first year of the program. That net benefit would decline to $700 in the last year due to declining tax revenue. That decline is consistent with declining greenhouse gas emissions, the purpose of the tax.

According to most climate scientists, new data show that we have less time than we previously thought to make the drastic changes needed to avoid a global climate disaster. HB 2278 answers that concern with adjustments that ramp up the tax in stages. The bill also accelerates the time frame for the increases in the tax rates with a bigger benefit back to residents to accelerate their transition to low emission products and lifestyle like energy efficiency, electric products and electric vehicles.

The UHERO study concludes that the low tax scenario would reduce greenhouse gas emissions 40% below 2019 levels. If revenues are distributed to households in equal shares, the tax would be progressive. HB 2278 incorporates both of these ideas.

HB 2278 is one of many efforts that Hawaii can take to mitigate climate change, and this bill complements other bills.

HB-2278
Submitted on: 2/7/2022 7:01:38 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Molly Whiteley	Individual	Support	No

Comments:

We can't afford to wait for federal legislation to act on the climate crisis. Hawaii has declared a climate emergency and set a goal to be carbon neutral by 2045, therefore, we need a policy that will reduce emissions state- wide, while setting a successful example for the rest of the nation and other countries.

With this legilsation, emissions are reduced significantly with incentives to residents to reduce their own emissions and visitors pay a "green fee" or tax similar to the TAT and the money flows back to HI residents.

It is a progressive tax, in that low and middle income households come out ahead, according to the UHERO study. In fact, all households on average do better if 80 to 100% of the revenues are returned to people.

I strongly encourage passage of this bill for the people of Hawaii and the planet.

Mahalo.

Molly Whiteley

HB-2278
Submitted on: 2/7/2022 8:23:37 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Camile Cleveland	Individual	Support	No

Comments:

I strongly support this bill

HB-2278
Submitted on: 2/7/2022 8:48:05 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Zoe Whitney	Individual	Support	No

Comments:

I agree with economists and scientists that a carbon tax is one of the most effective climate solutions available. I support HB2278 because it eligantly charges for those things that are costly to our environment whilst insuring these costs do not fall on the backs of the middle and lower class.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2278
Submitted on: 2/7/2022 11:18:35 AM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Maki Morinoue	Individual	Support	No

Comments:

Aloha

Please support this Bill. I am in support that carbon polluters should pay to enhance the lives of the living here in Hawai'i nei.

Mahalo for your time.

Maki Morinoue
Holualoa
96725

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2278
Submitted on: 2/7/2022 2:06:00 PM
Testimony for EEP on 2/8/2022 8:50:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Brandt	Individual	Support	No

Comments:

Support!