



GOV. MSG. NO. 1286

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 27, 2022

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty-First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty-First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 27, 2022, the following bill was signed into law:

SB3325 SD2 HD1 CD1

RELATING TO CARBON SEQUESTRATION
INCENTIVES.
ACT 185

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO CARBON SEQUESTRATION INCENTIVES.

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

1 SECTION 1. The legislature finds that climate change has
2 led to an increase in the frequency of extreme weather events.
3 These events serve to only complicate the already increased
4 risks associated with the Hawaiian islands, which are the
5 world's most isolated populated land masses. Extreme weather
6 events put greater stress on the State's vulnerable food supply
7 chain and water supplies. The potential for shortages
8 highlights the State's need for greater food and water security,
9 which can be achieved by increasing local food production.

10 The legislature further finds that Hawaii needs to reduce
11 its contribution to climate change, increase local food
12 production, improve soil health, and secure resilient water
13 sources. Furthermore, in addition to cutting emissions from
14 burning carbon, Hawaii needs to mitigate climate change by
15 sequestering greenhouse gases through regenerative agriculture
16 and forest preservation. Incentivizing nature-based actions
17 that improve soil health and are carbon-positive provides rich
18 and diverse co-benefits, such as restoring, maintaining, and



1 improving landscape soil health and water security through
2 payment-for-services programs. These programs would allow small
3 farmers, ranchers, foresters, and landowners and lessees to be
4 compensated for taking measures to help Hawaii reach its climate
5 readiness goals.

6 Accordingly, the purpose of this Act is to:

7 (1) Establish the Hawaii carbon smart land management
8 assistance pilot program to promote keeping forests
9 and farmlands intact and sequestering additional
10 carbon on the lands; and

11 (2) Repeal the carbon offset program.

12 SECTION 2. (a) There is established within the department
13 of land and natural resources the Hawaii carbon smart land
14 management assistance pilot program to incentivize carbon
15 sequestration activities through incentive contracts that
16 provide compensation for eligible practices by program
17 participants.

18 (b) The department shall:

19 (1) Administer or enter into an agreement or agreements
20 for the administration of the pilot program;



- 1 (2) Coordinate with relevant agencies to provide financial
2 incentive payments to owners and lessees of eligible
3 land for eligible practices over a designated period,
4 with appropriate crediting for soil health and carbon
5 benefits as specified in an incentive contract;
- 6 (3) Establish and implement protocols to monitor and
7 verify compliance with the terms of incentive
8 contracts;
- 9 (4) Make available to the public any modeling,
10 methodology, or protocol resources developed to
11 estimate the sequestration rates of potential
12 projects;
- 13 (5) Identify, evaluate, and distribute dedicated moneys to
14 accomplish the purposes of the pilot program; and
- 15 (6) Coordinate collaborations related to soil health and
16 carbon sequestration modeling, methods, and inventory
17 improvements.
- 18 (c) The department, with assistance from relevant
19 agencies, shall establish compensation rates and incentive
20 contract terms for phase I activities within one year of the
21 date of receipt of a program application. An incentive contract



1 shall be for a term of no less than one year and no longer than
2 thirty years, as determined by the owner or lessee; provided
3 that the length of the contract term shall directly correlate
4 with the rate of compensation paid pursuant to the contract.

5 (d) The department shall coordinate with relevant agencies
6 to assist the department in carrying out the purposes of the
7 pilot program, including:

8 (1) Estimating sequestration rates for phase I and phase
9 II activities;

10 (2) Conducting research to develop the technical
11 underpinnings of compensation rates for phase II
12 activities; and

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

15 (e) Landowners and lessees of eligible land may enter into
16 an incentive contract upon approval of a program application on
17 a form prepared by the department. An owner or lessee of
18 eligible land currently engaged in eligible practices shall not:

19 (1) Be barred from entering into an incentive contract
20 under this section to continue carrying out those
21 eligible practices;



1 (2) Be prohibited from participating in the pilot program
2 due to the owner or lessee's participation in other
3 federal or state conservation assistance programs; or

4 (3) Be required to provide conservation easements.

5 (f) Priority shall be given to phase I and phase II
6 activities that:

7 (1) Are cost effective;

8 (2) Provide co-benefits to the State and the owner or
9 lessee of eligible land;

10 (3) Have the potential to create jobs in the forestry or
11 agriculture sectors and in rural communities; and

12 (4) Achieve community priorities, including food security
13 or watershed protection.

14 (g) On an annual basis, the department shall:

15 (1) Identify and prioritize selected soil health and
16 carbon-positive activities;

17 (2) Recommend compensation rates and contract terms for
18 eligible phase I activities;

19 (3) Assist in estimating sequestration rates for carbon-
20 positive practices;



1 (4) Research and develop the technical underpinnings of
2 compensation rates for phase II activities; and

3 (5) Conduct community and landowner outreach activities.

4 (h) The department shall also identify co-benefits that
5 may include:

6 (1) Job creation;

7 (2) Food security and agriculture for local consumption;

8 (3) Water security;

9 (4) Increased biodiversity;

10 (5) Soil health; and

11 (6) Invasive species reduction and removal.

12 (i) The pilot program shall terminate on June 30, 2025.

13 (j) As used in this section:

14 "Department" means the department of land and natural
15 resources.

16 "Eligible land" means land in the State that is privately
17 owned or public land that is leased to a private citizen at the
18 time of initiation of an incentive contract.

19 "Eligible practices" means practices on eligible land that
20 increase soil health, reduce carbon emissions, and promote
21 carbon sequestration and storage over a designated period.



1 "Incentive contract" means a contract that specifies the
2 following:

- 3 (1) The eligible practices to be undertaken;
- 4 (2) The acreage of eligible land;
- 5 (3) The established rate of compensation;
- 6 (4) A schedule to verify that the terms of the contract
7 have been fulfilled; and
- 8 (5) Other terms as the department deems necessary.

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

- 13 (1) One-time establishment and yearly monitoring
14 activities that include:
 - 15 (A) Reforestation;
 - 16 (B) Windbreaks;
 - 17 (C) Conservation tillage and reduced field pass
18 intensity;
 - 19 (D) Improved forages; and
 - 20 (E) Control of invasive species; and
- 21 (2) Yearly investment activities that include:



- 1 (A) Efficient nutrient management;
- 2 (B) Crop diversity through rotations and cover crops;
- 3 (C) Manure management;
- 4 (D) Rotational grazing and improved forages;
- 5 (E) Waste-stream-derived amendment application,
- 6 including compost, biochar, and anaerobic digest;
- 7 (F) Improved cropping and organic systems; and
- 8 (G) Feed management.

9 "Phase II activities" means activities identified as having
10 significant sequestration potential but requiring additional
11 technical work to estimate the activities' sequestration
12 potential or to identify appropriate eligible land types,
13 including:

- 14 (1) Perennial biofuel feedstocks;
- 15 (2) Methane capture;
- 16 (3) Improved forest management;
- 17 (4) Conservation easements; and
- 18 (5) Other renewable energy options involving blended food
19 and energy systems.

20 "Pilot program" means the Hawaii carbon smart land
21 management assistance pilot program established by this Act.



1 SECTION 3. Section 225P-6, Hawaii Revised Statutes, is
2 repealed.

3 ~~["§225P-6 Carbon offset program. (a) The office of~~
4 ~~planning and sustainable development in partnership with the~~
5 ~~greenhouse gas sequestration task force shall investigate and~~
6 ~~establish a carbon offset program that:~~

- 7 ~~(1) Provides expertise in carbon offsetting to public~~
8 ~~agencies and private entities and assists in~~
9 ~~coordinating carbon offset projects of public~~
10 ~~agencies, including but not limited to the generation,~~
11 ~~certification, and marketing of carbon credits;~~
- 12 ~~(2) Allows for proceeds and revenues generated by state~~
13 ~~departments from sales of offset credits to be~~
14 ~~deposited into suitable funds particularly for~~
15 ~~reinvestment to generate further carbon offset~~
16 ~~credits; provided that the funds are used in~~
17 ~~accordance with the purposes of the fund;~~
- 18 ~~(3) Allows for proceeds and revenues generated by state~~
19 ~~agencies from sales of carbon credits other than as~~
20 ~~described in paragraph (2) to be invested in projects~~



1 ~~enhancing the State's efforts to mitigate or adapt to~~
2 ~~climate change, and~~

3 ~~(4) Is consistent with the State's sustainability goals~~
4 ~~and policies.~~

5 ~~(b) The office of planning and sustainable development in~~
6 ~~partnership with the greenhouse gas sequestration task force~~
7 ~~shall submit a report of its findings and recommendations,~~
8 ~~including any proposed legislation, to the legislature and the~~
9 ~~climate change mitigation and adaptation commission no later~~
10 ~~than twenty days prior to the convening of the regular session~~
11 ~~of 2020.~~

12 ~~(c) As used in this section:~~

13 ~~"Carbon credit" means a tradable certificate or permit~~
14 ~~issued by a carbon registry that represents a greenhouse gas~~
15 ~~reduction or greenhouse gas removal enhancement that is~~
16 ~~equivalent to one metric ton of carbon dioxide and meets the~~
17 ~~requirements of the carbon offset program.~~

18 ~~"Carbon offset" means a compensatory measure made by an~~
19 ~~agency, business, or individual to reduce carbon dioxide~~
20 ~~emissions or to increase carbon dioxide sequestration.~~



1 ~~"Carbon registry" means any established international,~~
2 ~~national, or regional carbon registry program that serves~~
3 ~~voluntary or compliance markets, provides an independent carbon~~
4 ~~standard to verify and certify carbon offsets, and issues carbon~~
5 ~~credits."]~~

6 SECTION 4. Statutory material to be repealed is bracketed
7 and stricken.

8 SECTION 5. This Act shall take effect upon its approval.



S.B. NO.

3325
S.D. 2
H.D. 1
C.D. 1

APPROVED this 27th day of June, 2022





GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: May 3, 2022
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2022.


President of the Senate


Clerk of the Senate

SB No. 3325, SD 2, HD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 3, 2022
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2022.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives