
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 that serve to only complicate increased risks associated with
4 the Hawaiian islands, which are already the most isolated
5 populated land mass. Such extreme weather events can put
6 greater stress on an already vulnerable food supply chain as
7 well as water supplies. The potential for shortages highlights
8 the need for greater food and water security, which can be
9 achieved through increased 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 are soil health and carbon positive provide rich, diverse



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

6 The purpose of this Act is to establish a farmland and
7 forest soil health carbon smart incentive program that will
8 promote keeping forests and farmlands intact and sequester
9 additional carbon on those lands.

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

13 **"PART . HAWAII FARMLAND AND FOREST SOIL HEALTH CARBON SMART**
14 **INCENTIVE PROGRAM**

15 **"§196-A Definitions.** As used in this part:

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

18 "Eligible land" means land in the State that is privately
19 owned or public land that is leased or managed by a private
20 citizen at the time of initiation of an incentives contract.



1 "Eligible practices" means practices that increase soil
2 health and reduce carbon emissions and carbon sequestration and
3 storage over a designated period on eligible land.

4 "Incentives contract" means a contract that specifies the
5 following:

- 6 (1) The eligible practices to be undertaken;
- 7 (2) The acreage of eligible land;
- 8 (3) The established rate of compensation;
- 9 (4) A schedule to verify that the terms of the contract
10 have been fulfilled; and
- 11 (5) Other terms determined to be necessary by the
12 authority.

13 "Phase I activities" means activities identified as having
14 a high likelihood of effectively achieving durable sequestration
15 benefits at reasonable compensation rates across eligible land
16 types, including:

- 17 (1) One time establishment and yearly monitoring that
18 include:
 - 19 (A) Reforestation;
 - 20 (B) Windbreaks;



- 1 (C) Conservation tillage and reduced field pass
- 2 intensity;
- 3 (D) Improved forages; and
- 4 (E) Control of invasive species; and
- 5 (2) Yearly investments that include:
- 6 (A) Efficient nutrient management;
- 7 (B) Crop diversity through rotations and cover crops;
- 8 (C) Manure management;
- 9 (D) Rotational grazing and improved forages;
- 10 (E) Waste-stream derived amendment application, such
- 11 as compost, biochar, and anaerobic digest;
- 12 (F) Improved cropping and organic systems; and
- 13 (G) Feed management.
- 14 "Phase II activities" means activities identified as those
- 15 that support significant sequestration potential but require
- 16 additional technical work to estimate sequestration potential or
- 17 identify appropriate eligible land types, including:
- 18 (1) Perennial biofuel feedstocks;
- 19 (2) Methane capture;
- 20 (3) Improved forest management;
- 21 (4) Conservation easements; and



1 (5) Other renewable energy options that involve blended
2 food and energy systems.

3 "Program" means the Hawaii farmland and forest soil health
4 carbon smart incentive program established by this part.

5 **§196-B Hawaii farmland and forest soil health carbon smart**
6 **incentive program; established.** (a) There is established the
7 Hawaii farmland and forest soil health carbon smart incentive
8 program to incentivize carbon sequestration activities through
9 incentives contracts that provide for compensation for eligible
10 practices by program participants.

11 (b) The authority shall:

12 (1) Administer or enter into an agreement or agreements
13 for the administration of the program;

14 (2) Coordinate with relevant agencies to provide owners
15 and lessees of eligible land financial incentive
16 payments for eligible practices over a designated
17 period, with appropriate crediting for soil health and
18 carbon benefits as specified through an incentives
19 contract;

20 (3) Coordinate with relevant agencies to establish and
21 implement protocols that provide monitoring and



- 1 verification of compliance with the term of incentives
2 contracts;
- 3 (4) Make available to the public any modeling,
4 methodology, or protocol resources developed to
5 estimate sequestration rates of potential projects;
- 6 (5) Coordinate with relevant agencies to identify,
7 evaluate, and distribute dedicated funds to accomplish
8 the purposes of the program;
- 9 (6) Coordinate collaborations for soil health and carbon
10 sequestration modeling, methods, and inventory
11 improvements; and
- 12 (7) Directionally correct movement heading in the right
13 direction for climate, focusing on multiple co-
14 benefits, and overcoming barriers to implementation of
15 practices of interest.

16 **§196-C Program assistance; contract terms.** (a) The
17 authority, with assistance from relevant agencies, shall
18 establish incentives contract terms within one year of the date
19 of receipt of a program application. An incentives contract
20 shall be for a term of no less than one year and no more than
21 thirty years as determined by the owner, land manager, or



1 lessee; provided that the length of the contract term shall
2 directly correlate with the funded activities paid pursuant to
3 the contract.

4 (b) The authority shall coordinate with relevant agencies
5 to assist the authority in carrying out the purposes of the
6 program, including:

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

9 (2) Conducting community and landowner outreach
10 activities; and

11 (3) Establishing the reviewing committee pursuant to
12 section 196-D for project applications and reports.

13 **§196-D Reviewing committee; report.** (a) The chairperson
14 of the authority, or the chairperson's designee, shall establish
15 a reviewing committee to review program applications. The
16 reviewing committee shall include but not be limited to:

17 (1) The chairperson of the board of land and natural
18 resources or the chairperson's designee, who shall
19 serve as chairperson of the reviewing committee;

20 (2) The chairperson of the authority, or the chairperson's
21 designee;



- 1 (3) The chairperson of the board of agriculture or the
- 2 chairperson's designee; and
- 3 (4) Up to two representatives from the Native Hawaiian
- 4 community, who shall be invited by the chairperson,
- 5 and who have expertise in natural and working lands,
- 6 and the protection, restoration, care, and
- 7 interpretation of Native Hawaiian cultural responses.
- 8 (b) The reviewing committee shall submit a report to the
- 9 legislature no later than twenty days prior to the convening of
- 10 the regular session of 2023 and each regular session thereafter
- 11 that contains:
- 12 (1) An estimate of annual and cumulative reductions
- 13 achieved as a result of the program, determined using
- 14 standardized measures, including measures of economic
- 15 efficiency;
- 16 (2) A summary of any changes to the program made as a
- 17 result of program measurement, monitoring, and
- 18 verification; and
- 19 (3) The total number of acres enrolled in the program.
- 20 **§196-E Eligibility.** Landowners, land managers, and
- 21 lessees of eligible land shall be eligible for the program upon



1 submission of a program application to the authority to enter
2 into an incentives contract. An owner or manager of eligible
3 land currently engaged in eligible practices shall not be barred
4 from entering into an incentives contract under this part to
5 continue carrying out eligible practices. An owner, land
6 manager, or lessee shall not be prohibited from participating in
7 the program due to participation in other federal or state
8 conservation assistance programs. Conservation easements shall
9 not be required for eligibility in the program.

10 **§196-F Priority of carbon positive activities; benefits.**

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

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



1 (b) On an annual basis, the department of land and natural
2 resources shall:

- 3 (1) Identify and prioritize selected soil health and
4 carbon positive activities;
- 5 (2) Recommend compensation rates and contract terms for
6 eligible phase I activities;
- 7 (3) Assist in estimating sequestration rates for carbon
8 positive practices;
- 9 (4) Serve on the reviewing committee for project
10 applications and reports;
- 11 (5) Research to develop technical underpinning of
12 compensation rates for phase II eligible practices;
13 and
- 14 (6) Conduct community and landowner outreach activities.

15 (c) The department of land and natural resources shall
16 also identify co-benefits that may include:

- 17 (1) Job creation;
- 18 (2) Food security and agriculture for local consumption;
- 19 (3) Water security;
- 20 (4) Increased biodiversity;
- 21 (5) Soil health; and



1 (6) Invasive species reduction and removal."

2 SECTION 3. Section 196-64, Hawaii Revised Statutes, is
3 amended by amending subsection (a) read as follows:

4 "(a) In the performance of, and with respect to the
5 functions, powers, and duties vested in the authority by this
6 part, the authority, as directed by the director and in
7 accordance with a green infrastructure loan program order or
8 orders under section 269-171 or an annual plan submitted by the
9 authority pursuant to this section, as approved by the
10 commission for the green infrastructure loan program, may:

11 (1) Make loans and expend funds to finance the purchase or
12 installation of green infrastructure equipment for
13 clean energy technology, demand response technology,
14 and energy use reduction and demand side management
15 infrastructure, programs, and services;

16 (2) Hold and invest moneys in the green infrastructure
17 special fund in investments as permitted by law and in
18 accordance with approved investment guidelines
19 established in one or more orders issued by the
20 commission pursuant to section 269-171;



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



1 (8) Administer the Hawaii farmland and forest soil health
2 carbon smart incentive program; and

3 [~~8~~] (9) Perform all functions necessary to effectuate the
4 purposes of this part."

5 SECTION 4. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so
7 much thereof as may be necessary for fiscal year 2022-2023 for:

8 (1) Administration of the Hawaii farmland and forest soil
9 health carbon smart incentive program; and

10 (2) Five full-time equivalent (5.0 FTE) permanent
11 positions for the Hawaii green infrastructure
12 authority, as follows:

13 (A) One full-time equivalent (1.0 FTE) permanent
14 position for administering the Hawaii farmland
15 and forest soil health carbon smart incentive
16 program established by this Act; and

17 (B) Four full-time equivalent (4.0 FTE) permanent
18 positions to provide program expertise and
19 technical assistance to each of the counties.

20 The sum appropriated shall be expended by the Hawaii green
21 infrastructure authority for the purposes of this Act.



1 SECTION 5. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2022-2023 for
4 one full-time equivalent (1.0 FTE) permanent position to support
5 soil health and carbon sequestration actions on state lands and
6 provide technical and research assistance to the Hawaii farmland
7 and forest soil health carbon smart incentive program
8 established by this Act.

9 The sum appropriated shall be expended by the department of
10 agriculture for the purposes of this Act.

11 SECTION 6. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so
13 much thereof as may be necessary for fiscal year 2022-2023 for
14 one full-time equivalent (1.0 FTE) permanent position to support
15 soil health and carbon sequestration actions on state lands and
16 provide technical and research assistance to the Hawaii farmland
17 and forest soil health carbon smart incentive program
18 established by this Act.

19 The sum appropriated shall be expended by the department of
20 land and natural resources for the purposes of this Act.



1 SECTION 7. In codifying the new sections added by section
2 2 of this Act, the revisor of statutes shall substitute
3 appropriate section numbers for the letters used in designating
4 the new sections in this Act.

5 SECTION 8. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 9. This Act shall take effect on July 1, 2100;
8 provided that sections 4, 5, and 6 shall take effect on July 1,
9 2022.



Report Title:

Carbon Sequestration; Hawaii Farmland and Forest Soil Health
Carbon Smart Incentive Program; Hawaii Green Infrastructure
Authority; Appropriation

Description:

Establishes the Hawaii farmland and forest soil health carbon
smart incentive program to incentivize carbon sequestration
activities through incentives contracts that provide for
compensation for eligible practices by program participants.
Appropriates funds for positions and administering the program.
Effective 7/1/2100. (HD2)

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not legislation or evidence of legislative intent.*

