

JAN 26 2022

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# 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 to a private citizen at the  
20 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  
7 within the authority the Hawaii farmland and forest soil health  
8 carbon smart incentive program to incentivize carbon  
9 sequestration activities through incentives contracts that  
10 provide for compensation for eligible practices by program  
11 participants.

12 (b) The authority shall administer the program and shall:

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

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



- 1 (3) Establish and implement protocols that provide
- 2 monitoring and verification of compliance with the
- 3 term of incentives contracts;
- 4 (4) Make available to the public any modeling,
- 5 methodology, or protocol resources developed to
- 6 estimate sequestration rates of potential projects;
- 7 (5) Identify, evaluate, and distribute dedicated funds to
- 8 accomplish 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 entrance into
- 15 implementation of practices of interest.

16 **§196-C Program assistance; contract terms and compensation**  
17 **rates.** (a) The authority, with assistance from relevant  
18 agencies, shall establish compensation rates and incentives  
19 contract terms for phase I activities within one year of the  
20 date of receipt of a program application. An incentives  
21 contract shall be for a term of no less than one year and no



1 more than thirty years as determined by the owner or lessee;  
2 provided that the length of the contract term shall directly  
3 correlate with the rate of compensation paid pursuant to the  
4 contract.

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

- 8 (1) Estimating sequestration rates for phase I and phase  
9 II activities;
- 10 (2) Conducting research to develop technical underpinning  
11 of compensation rates for phase II activities;
- 12 (3) Conducting community and landowner outreach  
13 activities; and
- 14 (4) Establishing the reviewing committee established under  
15 section 196-D for project applications and reports.

16 **§196-D Reviewing committee; report.** (a) The chairperson  
17 of the authority, or the chairperson's designee, shall establish  
18 and serve as the chairperson of a reviewing committee to review  
19 program applications.

20 (b) The reviewing committee shall submit a report to the  
21 legislature no later than twenty days prior to the convening of



1 the regular session of 2023 and each regular session thereafter  
2 that contains:

3 (1) An estimate of annual and cumulative reductions  
4 achieved as a result of the program, determined using  
5 standardized measures, including measures of economic  
6 efficiency;

7 (2) A summary of any changes to the program made as a  
8 result of program measurement, monitoring, and  
9 verification; and

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

11 **§196-E Eligibility.** Landowners and lessees of eligible  
12 land shall be eligible for the program upon submission of a  
13 program application prepared by the authority, to enter into an  
14 incentives contract. An owner of eligible land currently  
15 engaged in eligible practices shall not be barred from entering  
16 into an incentives contract under this part to continue carrying  
17 out eligible practices. An owner or lessee shall not be  
18 prohibited from participating in the program due to  
19 participation of the owner or lessee in other federal or state  
20 conservation assistance programs. Conservation easements shall  
21 not be required for eligibility in the program.





1           **§196-F Priority of carbon positive activities; benefits.**

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

4           (1) Are cost effective;

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

7           (3) Have the potential to create jobs in the forestry or  
8           agriculture sectors, and in rural communities; and

9           (4) Achieve community priorities including food security  
10           or watershed protection.

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

13           (1) Identify and prioritize selected soil health and  
14           carbon positive activities;

15           (2) Recommend compensation rates and contract terms for  
16           eligible phase I activities;

17           (3) Assist in estimating sequestration rates for carbon  
18           positive practices;

19           (4) Serve on the reviewing committee for project  
20           applications and reports;



- 1 (5) Research to develop technical underpinning of  
2 compensation rates for phase II eligible practices;  
3 and  
4 (6) Conduct community and landowner outreach activities.  
5 (c) The department of land and natural resources shall  
6 also identify co-benefits that may include:  
7 (1) Job creation;  
8 (2) Food security and agriculture for local consumption;  
9 (3) Water security;  
10 (4) Increased biodiversity;  
11 (5) Soil health; and  
12 (6) Invasive species reduction and removal."

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

15 "(a) In the performance of, and with respect to the  
16 functions, powers, and duties vested in the authority by this  
17 part, the authority, as directed by the director and in  
18 accordance with a green infrastructure loan program order or  
19 orders under section 269-171 or an annual plan submitted by the  
20 authority pursuant to this section, as approved by the  
21 commission for the green infrastructure loan program, may:



- 1           (1) Make loans and expend funds to finance the purchase or  
2           installation of green infrastructure equipment for  
3           clean energy technology, demand response technology,  
4           and energy use reduction and demand side management  
5           infrastructure, programs, and services;
- 6           (2) Hold and invest moneys in the green infrastructure  
7           special fund in investments as permitted by law and in  
8           accordance with approved investment guidelines  
9           established in one or more orders issued by the  
10          commission pursuant to section 269-171;
- 11          (3) Hire employees necessary to perform its duties,  
12          including an executive director. The executive  
13          director shall be appointed by the authority, and the  
14          employees' positions, including the executive  
15          director's position, shall be exempt from chapter 76;
- 16          (4) Enter into contracts for the service of consultants  
17          for rendering professional and technical assistance  
18          and advice, and any other contracts that are necessary  
19          and proper for the implementation of the loan program;



- 1           (5) Enter into contracts for the administration of the
- 2                    loan program, without the necessity of complying with
- 3                    chapter 103D;
- 4           (6) Establish loan program guidelines to be approved in
- 5                    one or more orders issued by the commission pursuant
- 6                    to section 269-171 to carry out the purposes of this
- 7                    part;
- 8           (7) Be audited at least annually by a firm of independent
- 9                    certified public accountants selected by the
- 10                  authority, and provide the results of this audit to
- 11                  the department and the commission; [~~and~~]
- 12           (8) Administer the Hawaii farmland and forest soil health
- 13                    carbon smart incentive program; and
- 14           [~~(8)~~] (9) Perform all functions necessary to effectuate the
- 15                    purposes of this part."

16           SECTION 4. There is appropriated out of the general

17 revenues of the State of Hawaii the sum of \$                    or so

18 much thereof as may be necessary for fiscal year 2022-2023 for:

- 19           (1) Administration of the Hawaii farmland and forest soil
- 20                    health carbon smart incentive program; and



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

4 (A) One full-time equivalent (1.0 FTE) permanent  
5 position for administering the Hawaii farmland  
6 and forest soil health carbon smart incentive  
7 program established by this Act; and

8 (B) Four full-time equivalent (4.0) permanent  
9 positions to provide program expertise and  
10 technical assistance to each of the counties.

11 The sum appropriated shall be expended by the Hawaii green  
12 infrastructure authority established under section 196-63,  
13 Hawaii Revised Statutes, for the purposes of this Act.

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



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

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

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

13           SECTION 7. In codifying the new sections added by section  
14 2 of this Act, the revisor of statutes shall substitute  
15 appropriate section numbers for the letters used in designating  
16 the new sections in this Act.

17           SECTION 8. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19



1           SECTION 9 This Act shall take effect upon its approval;  
2 provided that sections 4, 5, and 6 shall take effect on July 1,  
3 2022.

4

A handwritten signature in black ink, appearing to read "Mike Gattano", is written over a horizontal line.

# S.B. NO. 3325

**Report Title:**

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

**Description:**

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

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

