
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



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

7 Accordingly, the purpose of this Act is to:

- 8 (1) Establish the Hawaii carbon smart land management
9 assistance pilot program to promote keeping forests
10 and farmlands intact and sequestering additional
11 carbon on the lands;
- 12 (2) Repeal the carbon offset program; and
- 13 (3) Appropriate funds for positions and technical
14 assistance to support the pilot program.

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

21 (b) The department shall:



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



1 contract terms for phase I activities within one year of the
2 date of receipt of a program application. An incentive contract
3 shall be for a term of no less than one year and no longer than
4 thirty years, as determined by the owner or lessee; provided
5 that the length of the contract term shall directly correlate
6 with the rate of compensation paid pursuant to the contract.

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

10 (1) Estimating sequestration rates for phase I and phase
11 II activities;

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

15 (3) Conducting community and landowner outreach
16 activities.

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



- 1 (1) Be barred from entering into an incentive contract
2 under this section to continue carrying out those
3 eligible practices;
- 4 (2) Be prohibited from participating in the pilot program
5 due to the owner or lessee's participation in other
6 federal or state conservation assistance programs; or
- 7 (3) Be required to provide conservation easements.
- 8 (f) Priority shall be given to phase I and phase II
9 activities that:
- 10 (1) Are cost effective;
- 11 (2) Provide co-benefits to the State and the owner or
12 lessee of eligible land;
- 13 (3) Have the potential to create jobs in the forestry or
14 agriculture sectors and in rural communities; and
- 15 (4) Achieve community priorities, including food security
16 or watershed protection.
- 17 (g) On an annual basis, the department shall:
- 18 (1) Identify and prioritize selected soil health and
19 carbon-positive activities;
- 20 (2) Recommend compensation rates and contract terms for
21 eligible phase I activities;



1 (3) Assist in estimating sequestration rates for carbon-
2 positive practices;

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

5 (5) Conduct community and landowner outreach activities.

6 (h) The department shall also identify co-benefits that
7 may include:

8 (1) Job creation;

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

10 (3) Water security;

11 (4) Increased biodiversity;

12 (5) Soil health; and

13 (6) Invasive species reduction and removal.

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

15 (j) As used in this section:

16 "Department" means the department of land and natural
17 resources.

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 incentive contract.



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

4 "Incentive 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 as the department deems necessary.

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

- 16 (1) One-time establishment and yearly monitoring
17 activities that include:
 - 18 (A) Reforestation;
 - 19 (B) Windbreaks;
 - 20 (C) Conservation tillage and reduced field pass
21 intensity;



- 1 (D) Improved forages; and
- 2 (E) Control of invasive species; and
- 3 (2) Yearly investment activities that include:
 - 4 (A) Efficient nutrient management;
 - 5 (B) Crop diversity through rotations and cover crops;
 - 6 (C) Manure management;
 - 7 (D) Rotational grazing and improved forages;
 - 8 (E) Waste-stream-derived amendment application,
 - 9 including compost, biochar, and anaerobic digest;
 - 10 (F) Improved cropping and organic systems; and
 - 11 (G) Feed management.

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

- 17 (1) Perennial biofuel feedstocks;
- 18 (2) Methane capture;
- 19 (3) Improved forest management;
- 20 (4) Conservation easements; and



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

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

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

7 [~~§225P-6 Carbon offset program.~~ (a) The office of
8 planning and sustainable development in partnership with the
9 greenhouse gas sequestration task force shall investigate and
10 establish a carbon offset program that:

11 (1) ~~Provides expertise in carbon offsetting to public~~
12 ~~agencies and private entities and assists in~~
13 ~~coordinating carbon offset projects of public~~
14 ~~agencies, including but not limited to the generation,~~
15 ~~certification, and marketing of carbon credits;~~

16 (2) ~~Allows for proceeds and revenues generated by state~~
17 ~~departments from sales of offset credits to be~~
18 ~~deposited into suitable funds particularly for~~
19 ~~reinvestment to generate further carbon offset~~
20 ~~credits; provided that the funds are used in~~
21 ~~accordance with the purposes of the fund;~~



1 ~~(3) Allows for proceeds and revenues generated by state~~
2 ~~agencies from sales of carbon credits other than as~~
3 ~~described in paragraph (2) to be invested in projects~~
4 ~~enhancing the State's efforts to mitigate or adapt to~~
5 ~~climate change; and~~

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

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

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

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



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

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

9 SECTION 4. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2022-2023 for
12 one full-time equivalent (1.0 FTE) permanent position to support
13 soil health and carbon sequestration actions on state lands and
14 provide technical and research assistance to the Hawaii carbon
15 smart land management assistance pilot program established by
16 this Act.

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

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



1 (1) One full-time equivalent (1.0 FTE) permanent position
2 to support soil health and carbon sequestration
3 actions on state lands and provide technical and
4 research assistance to the Hawaii carbon smart land
5 management assistance pilot program established by
6 this Act; and

7 (2) Other technical assistance.

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

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



Report Title:

Carbon Sequestration; Hawaii Carbon Smart Land Management Assistance Pilot Program; Carbon Offset Program; Department of Land and Natural Resources; Appropriation

Description:

Establishes the Hawaii carbon smart land management assistance pilot program to incentivize carbon sequestration activities through incentive contracts that provide compensation for eligible practices by program participants. Repeals the carbon offset program. Appropriates funds for positions and assistance. Effective 7/1/2050. (HD1)

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