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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 put greater  
6 stress on a vulnerable food supply chain as well as water  
7 supplies. The potential for shortages highlights the need for  
8 greater food and water security, which can be achieved through  
9 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 provides 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. Section 225P-6, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 ~~"§225P-6 [Carbon offset program. (a) The office of~~  
13 ~~planning and sustainable development in partnership with the~~  
14 ~~greenhouse gas sequestration task force shall investigate and~~  
15 ~~establish a carbon offset program that:~~

16 ~~(1) Provides expertise in carbon offsetting to public~~  
17 ~~agencies and private entities and assists in~~  
18 ~~coordinating carbon offset projects of public~~  
19 ~~agencies, including but not limited to the generation,~~  
20 ~~certification, and marketing of carbon credits;~~



1       ~~(2) Allows for proceeds and revenues generated by state~~  
2           ~~departments from sales of offset credits to be~~  
3           ~~deposited into suitable funds particularly for~~  
4           ~~reinvestment to generate further carbon offset~~  
5           ~~credits; provided that the funds are used in~~  
6           ~~accordance with the purposes of the fund;~~

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

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

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

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



1 ~~"Carbon credit" means a tradable certificate or permit~~  
2 ~~issued by a carbon registry that represents a greenhouse gas~~  
3 ~~reduction or greenhouse gas removal enhancement that is~~  
4 ~~equivalent to one metric ton of carbon dioxide and meets the~~  
5 ~~requirements of the carbon offset program.~~

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

9 ~~"Carbon registry" means any established international,~~  
10 ~~national, or regional carbon registry program that serves~~  
11 ~~voluntary or compliance markets, provides an independent carbon~~  
12 ~~standard to verify and certify carbon offsets, and issues carbon~~  
13 ~~credits.] Hawaii farmland and forest soil health carbon smart~~  
14 ~~incentive program. (a) There is established within the office~~  
15 ~~of planning and sustainable development the Hawaii farmland and~~  
16 ~~forest soil health carbon smart incentive program to incentivize~~  
17 ~~carbon sequestration activities through incentives contracts~~  
18 ~~that provide for compensation for eligible practices by program~~  
19 ~~participants.~~

20 ~~(b) The office shall administer the program and shall:~~



- 1        (1) Administer or enter into an agreement or agreements  
2            for the administration of the program;
- 3        (2) Coordinate with relevant agencies to provide owners  
4            and lessees of eligible land financial incentive  
5            payments for eligible practices over a designated  
6            period, with appropriate crediting for soil health and  
7            carbon benefits as specified through an incentives  
8            contract;
- 9        (3) Establish and implement protocols that provide  
10           monitoring and verification of compliance with the  
11           term of incentives contracts;
- 12       (4) Make available to the public any modeling,  
13           methodology, or protocol resources developed to  
14           estimate sequestration rates of potential projects;
- 15       (5) Identify, evaluate, and distribute dedicated funds to  
16           accomplish the purposes of the program;
- 17       (6) Coordinate collaborations for soil health and carbon  
18           sequestration modeling, methods, and inventory  
19           improvements; and
- 20       (7) Directionally correct movement: heading in the right  
21           direction for climate, focusing on multiple



1 co-benefits, and overcoming barriers to entrance into  
2 implementation of practices of interest.

3 (c) The office, with assistance from relevant agencies,  
4 shall establish compensation rates and incentives contract terms  
5 for phase I activities within one year of the date of receipt of  
6 a program application. An incentives contract shall be for a  
7 term of no less than one year and no more than thirty years as  
8 determined by the owner or lessee; provided that the length of  
9 the contract term shall directly correlate with the rate of  
10 compensation paid pursuant to the contract.

11 (d) The office shall coordinate with relevant agencies to  
12 assist the office in carrying out the purposes of the program,  
13 including:

14 (1) Estimating sequestration rates for phase I and phase  
15 II activities;

16 (2) Conducting research to develop technical underpinning  
17 of compensation rates for phase II activities; and

18 (3) Conducting community and landowner outreach  
19 activities.

20 (e) The greenhouse gas sequestration task force shall  
21 establish a reviewing committee to review program applications



1 and shall submit a report to the legislature no later than  
2 twenty days prior to the convening of the regular session of  
3 2023 and each regular session thereafter that contains:

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

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

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

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



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

3        (1) Are cost effective;

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

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

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

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

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

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

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

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





1       (5) Research and develop technical underpinning of  
2            compensation rates for phase II eligible practices;  
3            and

4        (6) Conduct community and landowner outreach activities.

5        (i) 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       (j) As used in this section:

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

17        "Eligible practices" means practices that increase soil  
18 health and reduce carbon emissions and carbon sequestration and  
19 storage over a designated period on eligible land.

20        "Incentives contract" means a contract that specifies the  
21 following:



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

8        "Office" means the office of planning and sustainable  
9 development.

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

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



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

10           "Phase II activities" means activities identified as those  
 11 that support significant sequestration potential but require  
 12 additional technical work to estimate sequestration potential or  
 13 identify appropriate eligible land types, 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 that involve blended
- 19                food and energy systems.

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



1 SECTION 3. 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 (1) Administration of the Hawaii farmland and forest soil  
5 health carbon smart incentive program; and

6 (2) Five full-time equivalent (5.0 FTE) permanent  
7 positions for the office of planning and sustainable  
8 development, as follows:

9 (A) One full-time equivalent (1.0 FTE) permanent  
10 position for administering the Hawaii farmland  
11 and forest soil health carbon smart incentive  
12 program established by this Act; and

13 (B) Four full-time equivalent (4.0) permanent  
14 positions to provide program expertise and  
15 technical assistance to each of the counties.

16 The sum appropriated shall be expended by the office of  
17 planning and sustainable development for the purposes of this  
18 Act.

19 SECTION 4. 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 one full-time equivalent (1.0 FTE) permanent position to support  
2 soil health and carbon sequestration actions on state lands and  
3 provide technical and research assistance to the Hawaii farmland  
4 and forest soil health carbon smart incentive program  
5 established by this Act.

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

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

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

18 SECTION 6. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.



1           SECTION 7. This Act shall take effect upon its approval;  
2 provided that sections 3, 4, and 5 shall take effect on July 1,  
3 2022.



**Report Title:**

Carbon Sequestration; Hawaii Farmland and Forest Soil Health  
Carbon Smart Incentive Program; Office of Planning and  
Sustainable Development; 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. (SD1)

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