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

7 Accordingly, the purpose of this Act is to establish a
 8 farmland and forest soil health carbon smart incentive program
 9 that will promote keeping forests and farmlands intact and
 10 sequestering additional carbon on the lands.

11 SECTION 2. Section 225P-6, Hawaii Revised Statutes, is
 12 amended to read as follows:

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

- 17 ~~(1) Provides expertise in carbon offsetting to public~~
- 18 ~~agencies and private entities and assists in~~
- 19 ~~coordinating carbon offset projects of public~~
- 20 ~~agencies, including but not limited to the generation,~~
- 21 ~~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 incentive contracts that~~
18 ~~provide compensation for eligible practices by program~~
19 ~~participants.~~

20 (b) The office 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 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 program; and
- 17 (6) Coordinate collaborations related to soil health and
- 18 carbon sequestration modeling, methods, and inventory
- 19 improvements.
- 20 (c) The office, with assistance from relevant agencies,
- 21 shall establish compensation rates and incentive contract terms



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

7 (d) The office shall coordinate with relevant agencies to
8 assist the office in carrying out the purposes of the program,
9 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) The greenhouse gas sequestration task force shall
18 establish a review committee to review program applications and
19 shall submit a report to the legislature no later than twenty
20 days prior to the convening of the regular session of 2023 and
21 each regular session thereafter providing:



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

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

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

9 (f) Landowners and lessees of eligible land may enter into
10 an incentive contract upon approval of a program application on
11 a form prepared by the office. An owner of eligible land
12 currently engaged in eligible practices shall not:

13 (1) Be barred from entering into an incentive contract
14 under this part to continue carrying out those
15 eligible practices;

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

19 (3) Be required to provide conservation easements.

20 (g) Priority shall be given to phase I and phase II
21 activities that:



- 1 (1) Are cost effective;
- 2 (2) Provide co-benefits to the State and the owner or
- 3 lessee of eligible land;
- 4 (3) Have the potential to create jobs in the forestry or
- 5 agriculture sectors, and in rural communities; and
- 6 (4) Achieve community priorities, including food security
- 7 or watershed protection.
- 8 (h) On an annual basis, the department of land and natural
- 9 resources shall:
- 10 (1) Identify and prioritize selected soil health and
- 11 carbon-positive activities;
- 12 (2) Recommend compensation rates and contract terms for
- 13 eligible phase I activities;
- 14 (3) Assist in estimating sequestration rates for carbon-
- 15 positive practices;
- 16 (4) Serve on the review committee for program applications
- 17 and reports;
- 18 (5) Research and develop the technical underpinnings of
- 19 compensation rates for phase II activities; and
- 20 (6) Conduct community and landowner outreach activities.



1 (i) The department of land and natural resources shall
2 also identify co-benefits that may include:

- 3 (1) Job creation;
- 4 (2) Food security and agriculture for local consumption;
- 5 (3) Water security;
- 6 (4) Increased biodiversity;
- 7 (5) Soil health; and
- 8 (6) Invasive species reduction and removal.

9 (j) As used in this section:

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

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

16 "Incentive contract" means a contract that specifies the
17 following:

- 18 (1) The eligible practices to be undertaken;
- 19 (2) The acreage of eligible land;
- 20 (3) The established rate of compensation;



1 (4) A schedule to verify that the terms of the contract
2 have been fulfilled; and

3 (5) Other terms as the office deems necessary.

4 "Office" means the office of planning and sustainable
5 development.

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

10 (1) One-time establishment and yearly monitoring
11 activities that include:

12 (A) Reforestation;

13 (B) Windbreaks;

14 (C) Conservation tillage and reduced field pass
15 intensity;

16 (D) Improved forages; and

17 (E) Control of invasive species; and

18 (2) Yearly investment activities that include:

19 (A) Efficient nutrient management;

20 (B) Crop diversity through rotations and cover crops;

21 (C) Manure management;



- 1 (D) Rotational grazing and improved forages;
- 2 (E) Waste-stream-derived amendment application,
- 3 including compost, biochar, and anaerobic digest;
- 4 (F) Improved cropping and organic systems; and
- 5 (G) Feed management.

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

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

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

19 SECTION 3. 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) Administration of the Hawaii farmland and forest soil
2 health carbon smart incentive program; and

3 (2) Five full-time equivalent (5.0 FTE) permanent
4 positions for the office of planning and sustainable
5 development, to be allocated as follows:

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

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

13 The sum appropriated shall be expended by the office of
14 planning and sustainable development for the purposes of this
15 Act.

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 one full-time equivalent (1.0 FTE) permanent position to support
20 soil health and carbon sequestration actions on state lands and
21 provide technical and research assistance to the Hawaii farmland



1 and forest soil health carbon smart incentive program
2 established by this Act.

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

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

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

15 SECTION 6. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act shall take effect on July 1, 2050;
18 provided that sections 3, 4, and 5 shall take effect on
19 July 1, 2050.



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 to incentivize carbon sequestration
activities through incentive contracts that provide compensation
for eligible practices by program participants. Appropriates
funds for positions and for administering the program.
Effective 7/1/2050. (SD2)

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