HOUSE OF REPRESENTATIVES
THIRTY-SECOND LEGISLATURE, 2024
STATE OF HAWAII

H.B. NO. 2297 H.D. 1

A BILL FOR AN ACT

RELATING TO GREENHOUSE GAS EMISSIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that transportation is the State's largest lifecycle greenhouse gas emissions source and that tourism is the State's largest economic driver as well as transportation consumer. The legislature finds that better management of waste and resources is critical to environmental stewardship and a clean fuel standard is central to reducing the State's lifecycle greenhouse gas emissions while also protecting the State's economic competitiveness, public health, and the environment. The legislature also finds that without policy specific to the transportation sector, emissions reductions will not be achieved in a timeframe consistent with the State's goals. Therefore, a clean fuel standard that is technology-neutral and market-based is an effective policy for reducing emissions in the transportation sector while also achieving other co-benefits.

The legislature additionally finds that by creating a clean fuel standard that rewards environmental performance, the State

will incentivize the creation of jobs in various sectors, including construction, agriculture, waste management, landscape restoration, forestry, and transportation. A clean fuel standard can create new markets for what is usually considered waste, including but not limited to municipal solid waste; construction and demolition debris; used cooking oil from food processing; agricultural and forestry residuals; industrial emissions; invasive species biomass from landscape restoration projects; and renewable electricity. Furthermore, the demand created for alternative fuels and cleaner forms of mobility under a clean fuel standard will not only help reduce greenhouse gas emissions but may also have a co-benefit of reducing air pollution, improving the health of citizens of the State. To prompt the use of clean fuels and zero-emission vehicles, other states like California, Oregon, and Washington have successfully implemented programs that reduce the carbon intensity of their transportation fuels.

It is the intent of the legislature to support the deployment of clean transportation fuel technologies through a carefully designed program that reduces the carbon intensity of fuel used in the State in order to:

(1) Reduce lifecycle greenhouse gas emissions;

(2) Stimulate the local, state, and regional economies, thereby providing economic development;

(3) Promote public health and the environment by increasing sustainability and encouraging a circular economy and landscape restoration activities; and

(4) Support existing jobs in the clean fuel industry and create new jobs in new innovative clean fuel technologies.

Therefore, the purpose of this Act is to require the Hawaii state energy office to adopt rules governing a clean fuel standard for alternative fuels in the State.

SECTION 2. (a) The Hawaii state energy office shall adopt rules pursuant to chapter 91, Hawaii Revised Statutes, governing a clean fuel standard for alternative fuels in the State. The rules shall include:

(1) A schedule to phase-in the implementation of the clean fuel standard for alternative fuels in a manner that reduces the average carbon intensity by at least ten per cent below 2019 levels by 2035 and at least fifty per cent below 2019 levels by 2045, including the

establishment of annual carbon intensity standards for alternative fuels;

(2) An implementation date for the clean fuel standard for alternative fuels on or before January 1, 2026;

(3) Standards for measuring lifecycle greenhouse gas emissions using Argonne National Lab's GREET model attributable to the production and use of diesel, gasoline, and other alternative fuels throughout their lifecycles, including feedstock production or extraction, fuel production and the transportation of raw materials and finished fuels;

(4) A mechanism by which diesel and gasoline that has a carbon intensity below the annual carbon intensity standard is used within the State to generate credits;

(5) A mechanism by which alternative fuel that has a carbon intensity below the annual carbon intensity standard is used within the State to generate credits;

(6) A mechanism to adjust the carbon intensity of alternative fuel when the alternative fuel is used in a powertrain that is not equal in efficiency to that of the reference fuel and drivetrain combination;

(7) A mechanism by which diesel or gasoline that has a carbon intensity above the annual carbon intensity standard would generate a deficit;

(8) A mechanism by which an alternative fuel that has a carbon intensity above the annual carbon intensity standard would generate a deficit;

(9) A mechanism that requires diesel, gasoline, or other alternative fuel that is exported from the State to retire any associated credit or debit;

(10) Exemptions for diesel, gasoline, or other fuels used by aircraft, railroad locomotives, military vehicles, and interstate waterborne vessels;

(11) Procedures for verifying the validity of credits and deficits generated under the clean fuel standard; and

(12) A schedule by which the Hawaii state energy office will review and update the lifecycle greenhouse gas modeling every three years based on a review of the best available scientific literature.

(b) The Hawaii state energy office may adopt rules that include:

(1) A cost containment mechanism designed to allow for sufficient compliance flexibility and maximum greenhouse gas reductions;

(2) Mechanisms whereby an electric utility or an energy producer can generate credits for electricity for gaseous fuels used in transportation; provided that the Hawaii state energy office shall develop these mechanisms based on best practices in use in other states and in consultation with industry stakeholders;

(3) Mechanisms whereby exempt end-uses, such as aviation, marine, rail, and military, can opt in to the program to generate credits when using alternative fuel;

(4) Mechanisms whereby alternative fuel can opt in to the clean fuel program to generate credits when it displaces the combustion of gasoline or diesel in off-road, heating, cooling, and temporary power generation;

(5) A schedule to phase in the implementation of the standards for alternative fuels that have achieved a predominant market share and have an average carbon

intensity that exceeds the annual diesel or gasoline carbon intensity standard;

(6) A program to support the deployment of infrastructure for the distribution of electricity as a vehicle fuel based on a mechanism by which no more than per cent of the annual deficits can be allocated;

(7) A program to support the deployment of new technologies and infrastructure for the distribution or production of liquid or gaseous alternative fuels based on a mechanism by which no more than per cent of the annual deficits can be allocated;

(8) Any standards, specifications, testing requirements, and other measures as needed to ensure the quality of gasoline, diesel, and alternative fuels used in accordance with the clean fuel standard;

(9) Linking the clean fuel standard to similar policies in other jurisdictions, including but not limited to California, Washington, and Oregon;

(10) A method to utilize the carbon intensity pathways already approved in other states like California, Oregon, and Washington to reduce the burden of

administering and certifying the carbon intensity of transportation fuels in the clean fuel program;

(11) Mechanisms that allow credits to be traded and to be banked for future compliance periods; and

(12) Exemptions for diesel, gasoline, and alternative fuels that are used in volumes below thresholds established by the Hawaii state energy office.

(c) As used in this section:

"Alternative fuel" means any fuel that is not gasoline or diesel and is used for transportation purposes, including but not limited to ethanol, biomass-based diesel, renewable diesel, sustainable aviation fuel, electricity, biomethane, biogasoline, renewable natural gas, fuels from carbon capture and utilization, electrofuels, and hydrogen.

"Biogenic" means produced from any carbon or hydrogen absorbed by plants or trees from the atmosphere through photosynthesis within the past one hundred years.

"Carbon intensity" means the quantity of lifecycle greenhouse gas emissions per unit of fuel energy, expressed in grams of carbon dioxide equivalent per megajoule.

"Clean fuel standard" means standards for the reduction of greenhouse gas emissions, on average, per unit of fuel energy.

"Greenhouse gas" means carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other gas or gases designated by the Hawaii state energy office by rule.

SECTION 3. This Act shall take effect on July 1, 3000.

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Report Title:
Hawaii State Energy Office; Clean Fuel Standard; Greenhouse Gases; Alternative Fuels; Rules

Description:
Requires the Hawaii state energy office to adopt rules governing a clean fuel standard for alternative fuels in the State. Effective 7/1/3000. (HD1)

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