

JAN 17 2024

A BILL FOR AN ACT

RELATING TO BLUE CARBON ECOSYSTEM PROJECTS.

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

1 SECTION 1. The legislature finds that natural climate
2 solutions--or actions to protect, sustainably manage, and
3 restore natural and modified ecosystems in ways that address
4 climate change--are crucial interventions that help governments
5 and companies achieve their net-zero carbon emissions ambitions.
6 Blue carbon ecosystem projects, which include the restoration of
7 marine mangroves, seagrasses, and tidal marshes, have attracted
8 particular attention as natural climate solutions for their
9 ability to sequester and store carbon at densities that far
10 exceed other ecosystems. Although there is substantial interest
11 in blue carbon credits derived from these blue carbon ecosystem
12 projects, particularly from companies and individuals who wish
13 to use the credits to offset greenhouse gas emissions that they
14 cannot otherwise reduce, the demand from stakeholders is
15 significantly outstripping the available supply. Therefore,
16 consistent sources of funds must be identified and engaged to



1 support and create additional robust and verifiable long-term
2 blue carbon ecosystem projects.

3 Generally, funding sources for blue carbon ecosystem
4 projects can be split into three categories: (1) the private
5 sector, which includes individuals, corporations, and impact
6 investors; (2) the public sector, which includes states and the
7 federal government; and (3) philanthropic, which includes
8 nonprofit organizations and nongovernmental organizations. To
9 increase the blue carbon credit supply, the physical, social,
10 and financial constraints to project delivery for each of the
11 three funding sources must be identified. For example,
12 constraints that each funding source must consider include the
13 higher cost of project implementations in blue carbon ecosystems
14 compared to terrestrial habitats, a shorter blue carbon project
15 track record compared to other natural climate solutions, and
16 the effects of broader governance decisions on blue carbon
17 credit market stability. Failing to address these types of
18 constraints can cause blue carbon ecosystem projects to be
19 viewed as less viable, riskier investments.

20 Like other coastal ecosystem management interventions,
21 overcoming or adapting to these varied constraints will



1 ultimately require a transdisciplinary approach. Ultimately, a
2 portfolio of private sector, public sector, and philanthropic
3 financial instruments will be needed to generate funding streams
4 that are substantial and reliable enough to realize the true
5 potential of blue carbon ecosystems as a natural climate
6 solution.

7 Accordingly, the purpose of this Act is to require the
8 department of agriculture to conduct a market analysis study to:

- 9 (1) Identify the optimum mix of private sector, public
10 sector, and philanthropic funding sources and
11 mechanisms needed to support blue carbon ecosystem
12 projects in the State and Pacific region; and
13 (2) Make an appropriation to fund the study.

14 SECTION 2. (a) The department of agriculture shall
15 conduct a market analysis study to determine the optimum mix of
16 private sector, public sector, and philanthropic funding sources
17 and mechanisms needed to increase the viability and success of
18 blue carbon projects in the State and Pacific region in a
19 socially-just manner, to reduce risk to investors and the risk
20 of greenwashing, and to ultimately encompass the true value of
21 coastal ecosystems beyond their carbon benefits.



- 1 (b) The study shall:
- 2 (1) Gauge the interest in establishing blue carbon
- 3 ecosystem projects within the State and Pacific
- 4 region;
- 5 (2) Identify existing private sector, public sector, and
- 6 philanthropic blue carbon funding sources and
- 7 mechanisms that are currently available in the market;
- 8 (3) Characterize the optimum mix of private sector, public
- 9 sector, and philanthropic funding sources and
- 10 mechanisms needed to support long-term blue carbon
- 11 ecosystem projects in the State and Pacific region;
- 12 (4) Identify favorable policies and governance support
- 13 structures necessary for blue carbon ecosystem project
- 14 success;
- 15 (5) Identify the physical, social, and financial
- 16 constraints to private sector, public sector, and
- 17 philanthropic blue carbon funding sources and
- 18 mechanisms that can hamper blue carbon ecosystem
- 19 project delivery in the State and Pacific region; and
- 20 (6) Consider any relevant factors that the department of
- 21 agriculture deems appropriate.



1 (c) The department shall submit a report of its findings
2 and recommendations, including any proposed legislation,
3 relating to the market analysis study to the legislature no
4 later than twenty days prior to the convening of the regular
5 session of 2025.

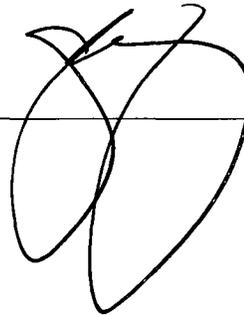
6 SECTION 3. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$300,000 or so much
8 thereof as may be necessary for fiscal year 2024-2025 for the
9 department of agriculture to conduct a market analysis study in
10 accordance with this Act.

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

13 SECTION 4. This Act shall take effect on July 1, 2024.

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INTRODUCED BY: _____

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S.B. NO. 2084

Report Title:

DOA; Market Analysis Study; Blue Carbon Ecosystem Projects; Blue Carbon Finance; Report to Legislature; Appropriation

Description:

Requires the Department of Agriculture to conduct a market analysis study to identify the optimum mix of private sector, public sector, and philanthropic funding sources and mechanisms needed to support blue carbon ecosystem projects in the State and Pacific region. Makes an appropriation.

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