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# A BILL FOR AN ACT

RELATING TO A CLEAN FUEL STANDARD.

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

1           SECTION 1. The legislature finds that by creating a clean  
2 fuel standard that rewards environmental performance, the State  
3 will incentivize investment and job creation in various sectors,  
4 including agriculture, construction, energy, forestry, landscape  
5 restoration, transportation, and waste management. A clean fuel  
6 standard can create new markets for what is usually considered  
7 waste, including but not limited to municipal solid waste,  
8 construction and demolition debris, used cooking oil from food  
9 processing, agricultural and forestry residuals, industrial  
10 emissions, invasive species biomass from landscape restoration  
11 projects, and renewable electricity. Furthermore, the demand  
12 created for alternative fuels and cleaner forms of mobility  
13 under a clean fuel standard will not only help reduce greenhouse  
14 gas emissions but may also have a co-benefit of reducing air  
15 pollution, thereby improving the health of citizens of the  
16 State.



1           The legislature further finds that transportation is the  
2 State's largest source of lifecycle greenhouse gas emissions and  
3 that the tourism industry is the State's largest economic driver  
4 and biggest transportation sector consumer.

5           The legislature additionally finds that better management  
6 of waste and resources is critical to environmental stewardship,  
7 and a clean fuel standard is central to reducing lifecycle  
8 greenhouse gas emissions while also protecting the State's  
9 economic competitiveness, public health, and the environment.  
10 To prompt the use of clean fuels and zero-emission vehicles,  
11 other states like California, Oregon, and Washington have  
12 successfully implemented programs that reduce the carbon  
13 intensity of their transportation fuels.

14           The legislature also finds that without policies specific  
15 to the transportation sector, emissions will not be reduced in a  
16 timeframe consistent with the State's goals. Therefore, a clean  
17 fuel standard that is technology-neutral and market-based is an  
18 effective policy for reducing emissions in the transportation  
19 sector while also achieving other co-benefits.

20           It is the intent of the legislature to support the  
21 deployment of clean transportation fuel technologies through a



1 carefully designed program that reduces the carbon intensity of  
2 fuel used in the State to:

- 3 (1) Reduce lifecycle greenhouse gas emissions;
- 4 (2) Stimulate the local, state, and regional economies,  
5 thereby providing economic development;
- 6 (3) Promote public and environmental health by increasing  
7 sustainability and encouraging a circular economy and  
8 landscape restoration activities; and
- 9 (4) Support existing jobs in the clean fuel industry and  
10 create new jobs in new innovative clean fuel  
11 technologies.

12 In 2025, the department of transportation began an  
13 independent analysis of the best estimated range of probable  
14 costs or cost savings attributable to the clean fuels program  
15 per gallon of gasoline, per gallon of diesel, and per kilowatt  
16 of electricity, based on existing programs, covering each year  
17 of the program projected through 2040. The analysis is to be  
18 informed by input from regulated industries and experience in  
19 jurisdictions that have adopted similar clean fuels policies.

20 Accordingly, the purpose of this Act is to require the  
21 department of transportation to adopt rules by January 1, 2028,



1 establishing a clean fuel standard for alternative fuels in the  
2 State.

3 SECTION 2. (a) No later than January 1, 2028, the  
4 department of transportation shall adopt rules pursuant to  
5 chapter 91, Hawaii Revised Statutes, governing a clean fuel  
6 standard for alternative fuels in the State. The rules shall  
7 include:

- 8 (1) A schedule to phase-in the implementation of the clean  
9 fuel standard for alternative fuels in a manner that  
10 reduces the average carbon intensity at a rate to  
11 enable the State to achieve the targets in sections  
12 225P-5, 225P-7, and 225P-8, Hawaii Revised Statutes,  
13 as quickly as possible, but beginning with targets no  
14 less than ten per cent below 2019 levels by 2035 and  
15 no less than fifty per cent below 2019 levels by 2045,  
16 including the establishment of annual carbon intensity  
17 standards for alternative fuels;
- 18 (2) An implementation date for the clean fuel standard for  
19 diesel and gasoline beginning January 1, 2029;
- 20 (3) Standards for measuring lifecycle greenhouse gas  
21 emissions using Argonne National Lab's most recent



- 1 GREET model attributable to the production and use of  
2 diesel, gasoline, and other alternative fuels  
3 throughout their lifecycles, including feedstock  
4 production or extraction, fuel production, and the  
5 transportation of raw materials and finished fuels;
- 6 (4) A mechanism by which alternative fuel that has a  
7 carbon intensity below the annual carbon intensity  
8 standard is used within the State to generate credits;
- 9 (5) A mechanism to adjust the carbon intensity of  
10 alternative fuel when the alternative fuel is used in  
11 a powertrain that is not equal in efficiency to that  
12 of the reference fuel and drivetrain combination;
- 13 (6) A mechanism by which diesel or gasoline that has a  
14 carbon intensity above the annual carbon intensity  
15 standard would generate a deficit;
- 16 (7) A mechanism by which an alternative fuel that has a  
17 carbon intensity above the annual carbon intensity  
18 standard would generate a deficit;
- 19 (8) A mechanism that requires diesel, gasoline, or other  
20 alternative fuel that is exported from the State to  
21 retire any associated credit or debit;



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

4 (10) Procedures for verifying credits and deficits  
5 generated under the clean fuel standard; and

6 (11) A schedule by which the department of transportation  
7 shall review and update the lifecycle greenhouse gas  
8 modeling every three years based on a review of the  
9 best available scientific literature.

10 (b) The department of transportation may adopt rules  
11 pursuant to chapter 91, Hawaii Revised Statutes, that include:

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

15 (2) Mechanisms whereby an electric utility or an energy  
16 producer can generate credits for electricity to  
17 replace gaseous fuels used in transportation; provided  
18 that the department of transportation shall develop  
19 these mechanisms based on best practices in use in  
20 other states and in consultation with industry  
21 stakeholders;



- 1 (3) Mechanisms whereby exempt end-uses, such as aviation,  
2 marine, rail, and military, can opt in to the clean  
3 fuel standard to generate credits when using  
4 alternative fuel;
- 5 (4) Mechanisms whereby alternative fuel users can opt into  
6 the clean fuel standard to generate credits when it  
7 displaces the combustion of gasoline or diesel in  
8 off-road, heating, cooling, and temporary power  
9 generation;
- 10 (5) A schedule to phase in the implementation of the  
11 standards for alternative fuels that have achieved a  
12 predominant market share and have an average carbon  
13 intensity that exceeds the annual diesel or gasoline  
14 carbon intensity standard;
- 15 (6) A mechanism through which electric utilities and  
16 public agencies direct at least fifty per cent of  
17 their overall credit value to electrified  
18 transportation programs, projects, or investments to  
19 directly benefit overburdened or underserved  
20 populations;



- 1           (7) Any standards, specifications, testing requirements,  
2           and other measures needed to ensure the quality of  
3           gasoline, diesel, and alternative fuels used in  
4           accordance with the clean fuel standard;
- 5           (8) Linking the clean fuel standard to similar policies in  
6           other jurisdictions, including but not limited to  
7           California, Oregon, and Washington;
- 8           (9) A method to utilize the carbon intensity pathways  
9           already approved in other states like California,  
10          Oregon, and Washington to reduce the burden of  
11          administering and certifying the carbon intensity of  
12          transportation fuels in the clean fuel standard;
- 13          (10) Mechanisms that allow credits to be traded and to be  
14          banked for future compliance periods; and
- 15          (11) Exemptions for diesel, gasoline, and alternative fuels  
16          that are used in volumes below thresholds established  
17          by the department of transportation.
- 18          (c) For the purposes of this section:  
19                "Alternative fuel" means any fuel that is not fossil  
20          fuel-based and is used for transportation purposes.



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

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

6 "Greenhouse gas" means carbon dioxide, methane, nitrous  
7 oxide, hydrofluorocarbons, perfluorocarbons, sulfur  
8 hexafluoride, and other gases designated by the department of  
9 transportation or the Hawaii state energy office by rule.

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



**Report Title:**

Clean Fuel Standard; Alternative Fuels; Rules; Department of Transportation

**Description:**

Requires the Department of Transportation to adopt rules by 1/1/2028 governing a clean fuel standard for alternative fuels in the State. Effective 7/1/3000. (HD1)

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