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# A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

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

5           The legislature further finds that better management of  
6 waste and resources is critical to environmental stewardship and  
7 a clean fuel standard is central to reducing the State's  
8 lifecycle greenhouse gas emissions while also protecting the  
9 State's economic competitiveness, public health, and the  
10 environment. To prompt the use of clean fuels and zero-emission  
11 vehicles, other states like California, Oregon, and Washington  
12 have 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 reductions will not be  
16 achieved in a timeframe consistent with the State's goals.

17 Therefore, a clean fuel standard that is technology-neutral and



1 market-based is an effective policy for reducing emissions in  
2 the transportation sector while also achieving other  
3 co-benefits.

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

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 Therefore, the purpose of this Act is to require the  
13 department of transportation to:

- 14 (1) Conduct a feasibility study on implementing clean fuel  
15 standards for alternative fuels; and
- 16 (2) No later than January 1, 2028, adopt rules governing a  
17 clean fuel standard for alternative fuels in the  
18 State.

19 SECTION 2. (a) The department of transportation shall  
20 conduct a feasibility study on implementing clean fuel standards



1 for alternative fuels as described under section 3, including  
2 its potential fiscal impact on the State.

3 (b) The department of transportation shall submit a report  
4 of its findings and recommendations, including any proposed  
5 legislation, to the legislature no later than sixty days prior  
6 to the convening of the regular session of 2027.

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

12 (1) A schedule to phase-in the implementation of the clean  
13 fuel standard for alternative fuels in a manner that  
14 reduces the average carbon intensity by at least ten  
15 per cent below 2019 levels by 2035 and at least fifty  
16 per cent below 2019 levels by 2045, including the  
17 establishment of annual carbon intensity standards for  
18 alternative fuels;

19 (2) An implementation date for the clean fuel standard for  
20 diesel and gasoline no later than January 1, 2029;



- 1 (3) Standards for measuring lifecycle greenhouse gas  
2 emissions using Argonne National Lab's GREET model  
3 attributable to the production and use of diesel,  
4 gasoline, and other alternative fuels throughout their  
5 lifecycles, including feedstock production or  
6 extraction, fuel production, and the transportation of  
7 raw materials and finished fuels;
- 8 (4) A mechanism by which diesel and gasoline that have a  
9 carbon intensity below the annual carbon intensity  
10 standard are used within the State to generate  
11 credits;
- 12 (5) A mechanism by which alternative fuel that has a  
13 carbon intensity below the annual carbon intensity  
14 standard is used within the State to generate credits;
- 15 (6) A mechanism to adjust the carbon intensity of  
16 alternative fuel when the alternative fuel is used in  
17 a powertrain that is not equal in efficiency to that  
18 of the reference fuel and drivetrain combination;
- 19 (7) A mechanism by which diesel or gasoline that has a  
20 carbon intensity above the annual carbon intensity  
21 standard would generate a deficit;



- 1           (8) A mechanism by which an alternative fuel that has a  
2                   carbon intensity above the annual carbon intensity  
3                   standard would generate a deficit;
- 4           (9) A mechanism that requires diesel, gasoline, or other  
5                   alternative fuel that is exported from the State to  
6                   retire any associated credit or debit;
- 7           (10) Exemptions for diesel, gasoline, or other fuels used  
8                   by aircraft, railroad locomotives, military vehicles,  
9                   and interstate waterborne vessels;
- 10          (11) Procedures for verifying credits and deficits  
11                   generated under the clean fuel standard; and
- 12          (12) A schedule by which the department of transportation  
13                   shall review and update the lifecycle greenhouse gas  
14                   modeling every three years based on a review of the  
15                   best available scientific literature.
- 16          (b) The department of transportation may adopt rules  
17           pursuant to chapter 91, Hawaii Revised Statutes, that include:  
18           (1) A cost containment mechanism designed to allow for  
19                   sufficient compliance flexibility and maximum  
20                   greenhouse gas reductions;



- 1           (2) Mechanisms whereby an electric utility or an energy  
2           producer can generate credits for electricity for  
3           gaseous fuels used in transportation; provided that  
4           the department of transportation shall develop these  
5           mechanisms based on best practices in use in other  
6           states and in consultation with industry stakeholders;
- 7           (3) Mechanisms whereby exempt end-uses, such as aviation,  
8           marine, rail, and military, can opt in to the program  
9           to generate credits when using alternative fuel;
- 10          (4) Mechanisms whereby alternative fuel users can opt in  
11          to the clean fuel program to generate credits when it  
12          displaces the combustion of gasoline or diesel in  
13          off-road, heating, cooling, and temporary power  
14          generation;
- 15          (5) A schedule to phase in the implementation of the  
16          standards for alternative fuels that have achieved a  
17          predominant market share and have an average carbon  
18          intensity that exceeds the annual diesel or gasoline  
19          carbon intensity standard;
- 20          (6) A program to support the deployment of infrastructure  
21          for the distribution of electricity as a vehicle fuel



- 1 based on a mechanism by which no more than per  
2 cent of the annual deficits can be allocated;
- 3 (7) A program to support the deployment of new  
4 technologies and infrastructure for the distribution  
5 or production of liquid or gaseous alternative fuels  
6 based on a mechanism by which no more than per  
7 cent of the annual deficits can be allocated;
- 8 (8) Any standards, specifications, testing requirements,  
9 and other measures as needed to ensure the quality of  
10 gasoline, diesel, and alternative fuels used in  
11 accordance with the clean fuel standard;
- 12 (9) Linking the clean fuel standard to similar policies in  
13 other jurisdictions, including but not limited to  
14 California, Oregon, and Washington;
- 15 (10) A method to utilize the carbon intensity pathways  
16 already approved in other states like California,  
17 Oregon, and Washington to reduce the burden of  
18 administering and certifying the carbon intensity of  
19 transportation fuels in the clean fuel program;
- 20 (11) Mechanisms that allow credits to be traded and to be  
21 banked for future compliance periods; and



1 (12) Exemptions for diesel, gasoline, and alternative fuels  
2 that are used in volumes below thresholds established  
3 by the department of transportation.

4 (c) For the purposes of this section:

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

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

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

16 "Greenhouse gas" means carbon dioxide, methane, nitrous  
17 oxide, hydrofluorocarbons, perfluorocarbons, sulfur  
18 hexafluoride, and any other gas or gases designated by the  
19 department of transportation or the Hawaii state energy office  
20 by rule.



1 SECTION 4. This Act shall take effect on July 1, 3000;

2 provided that:

3 (1) Section 2 shall take effect on July 1, 2025; and

4 (2) Section 3 shall take effect on July 1, 2027.



**Report Title:**

DOT; Clean Fuel Standard; Greenhouse Gases; Alternative Fuels;  
Feasibility Study; Rules

**Description:**

Requires the Department of Transportation to conduct a feasibility study on implementing a clean fuel standard for alternative fuels in the State. Requires, no later than 1/1/2028, the Department of Transportation to adopt rules governing a clean fuel standard for alternative fuels in the State. Effective 7/1/3000. (HD1)

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