THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1178

JAN 17 2025

A BILL FOR AN ACT

RELATING TO CARBON SEQUESTRATION INCENTIVES.

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

SECTION 1. The legislature finds that the Hawaii carbon smart land management assistance pilot program established by Act 185, Session Laws of Hawaii 2022, was met with a high degree of interest and engagement from local Hawaiian farmers, farmer networks, ranchers, foresters, agroecologists, grassroots and local non-profit organizations, community groups, schools, private land managers, ecologists, and businesses.

The legislature further finds that the Hawaii carbon smart land management assistance pilot program should continue past the upcoming sunset date of June 30, 2025, as it will lead to more sustainable land management practices, an overall increase in carbon sequestered through a localized understanding of carbon sequestration practices and opportunities, support for local regenerative agriculture and food systems, and a strengthening of the climate resilience, climate mitigation, adaptation, and social-ecological-economic benefits proffered by

indigenous land management practices and applied traditional ecological knowledge.

Accordingly, the purpose of this Act is to:

(1) Permanently establish the Hawaii carbon smart land management assistance program originally established as a pilot program under Act 185, Session Laws of Hawaii 2022; and

(2) Appropriate funds to support the program.

SECTION 2. Chapter 225P, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§225P- Hawaii carbon smart land management assistance program.** (a) There is established within the department of land and natural resources the Hawaii carbon smart land management assistance program to incentivize carbon sequestration activities through incentive contracts that provide compensation for eligible practices by program participants.

(b) The department shall:

(1) Administer or enter into an agreement or agreements for the administration of the program;

(2) Coordinate with relevant agencies to provide financial incentive payments to owners and lessees of eligible land for eligible practices over a designated period, with appropriate crediting for soil health and carbon benefits as specified in an incentive contract;

(3) Establish and implement protocols to monitor and verify compliance with the terms of incentive contracts;

(4) Make available to the public any modeling, methodology, or protocol resources developed to estimate the sequestration rates of potential projects;

(5) Identify, evaluate, and distribute dedicated moneys to accomplish the purposes of the program; and

(6) Coordinate collaborations related to soil health and carbon sequestration modeling, methods, and inventory improvements.

(c) The department, with assistance from relevant agencies, shall establish compensation rates and incentive contract terms for phase I activities within one year of the date of receipt of a program application. An incentive contract

shall be for a term of no less than one year and no longer than thirty years, as determined by the owner or lessee; provided that the length of the contract term shall directly correlate with the rate of compensation paid pursuant to the contract.

(d) The department shall coordinate with relevant agencies to assist the department in carrying out the purposes of the program, including:

(1) Estimating sequestration rates for phase I and phase II activities;

(2) Conducting research to develop the technical underpinnings of compensation rates for phase II activities; and

(3) Conducting community and landowner outreach activities.

(e) Landowners and lessees of eligible land may enter into an incentive contract upon approval of a program application on a form prepared by the department. An owner or lessee of eligible land currently engaged in eligible practices shall not:

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

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

(3) Be required to provide conservation easements.

(f) Priority shall be given to phase I and phase II activities that:

(1) Are cost effective;

(2) Provide co-benefits to the State and the owner or lessee of eligible land;

(3) Have the potential to create jobs in the forestry or agriculture sectors and in rural communities; and

(4) Achieve community priorities, including food security or watershed protection.

(g) On an annual basis, the department shall:

(1) Identify and prioritize selected soil health and carbon-positive activities;

(2) Recommend compensation rates and contract terms for eligible phase I activities;

(3) Assist in estimating sequestration rates for carbon-positive practices;

(4) Research and develop the technical underpinnings of compensation rates for phase II activities; and

(5) Conduct community and landowner outreach activities.

(h) The department shall also identify co-benefits that may include:

(1) Job creation;

(2) Food security and agriculture for local consumption;

(3) Water security;

(4) Increased biodiversity;

(5) Soil health; and

(6) Invasive species reduction and removal.

(i) For the purposes of this section:

"Department" means the department of land and natural resources.

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

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

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

(1) The eligible practices to be undertaken;

(2) The acreage of eligible land;

(3) The established rate of compensation;

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

(5) Other terms as the department deems necessary.

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

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

(A) Reforestation;

(B) Windbreaks;

(C) Conservation tillage and reduced field pass intensity;

(D) Improved forages; and

(E) Control of invasive species; and

(2) Yearly investment activities that include:

(A) Efficient nutrient management;

(B) Crop diversity through rotations and cover crops;

(C) Manure management;

(D) Rotational grazing and improved forages;

(E) Waste-stream-derived amendment application, including compost, biochar, and anaerobic digest;

(F) Improved cropping and organic systems; and

(G) Feed management.

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

(1) Perennial biofuel feedstocks;

(2) Methane capture;

(3) Improved forest management;

(4) Conservation easements; and

(5) Other renewable energy options involving blended food and energy systems.

"Program" means the Hawaii carbon smart land management assistance program."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of $2,000,000 or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 for the Hawaii carbon smart land management assistance program, including the establishment of one full-time equivalent (1.0 FTE) permanent position.

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

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2025.

INTRODUCED BY: _____

S.B. NO. 1178

Report Title:
DLNR; Carbon Sequestration; Hawaii Carbon Smart Land Management Assistance Program; Appropriation

Description:
Codifies and makes permanent the Hawaii Carbon Smart Land Management Assistance Program under the Department of Land and Natural Resources.

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