
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 2045. 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. Chapter 279C, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§279C- Clean fuel standard for alternative fuels. (a)

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

- 11 (1) A schedule to phase in the implementation of the clean
12 fuel standard for alternative fuels in a manner that
13 reduces the average carbon intensity at a rate to
14 enable the State to achieve the targets in sections
15 225P-5, 225P-7, and 225P-8 as quickly as possible, but
16 beginning with targets no less than ten per cent below
17 2019 levels by 2035 and no less than fifty per cent
18 below 2019 levels by 2045, including the establishment
19 of annual carbon intensity standards for alternative
20 fuels;



- 1 (2) An implementation date for the clean fuel standard for
2 diesel and gasoline beginning January 1, 2029;
- 3 (3) Standards for measuring lifecycle greenhouse gas
4 emissions using the most recently updated version of
5 the Argonne National Lab's Greenhouse gases, Regulated
6 Emissions, and Energy use in Technologies (GREET)
7 model attributable to the production and use of
8 diesel, gasoline, and other alternative fuels
9 throughout their lifecycles, including feedstock
10 production or extraction, fuel production, and the
11 transportation of raw materials and finished fuels;
- 12 (4) 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 a
15 credit;
- 16 (5) A mechanism to adjust the carbon intensity of
17 alternative fuel when the alternative fuel is used in
18 a powertrain that is not equal in efficiency to that
19 of the reference fuel and drivetrain combination;



- 1 (6) A mechanism by which diesel or gasoline that has a
2 carbon intensity above the annual carbon intensity
3 standard would generate a deficit;
- 4 (7) A mechanism by which an alternative fuel that has a
5 carbon intensity above the annual carbon intensity
6 standard would generate a deficit;
- 7 (8) A mechanism that requires diesel, gasoline, or other
8 alternative fuel that is sold, supplied, or dispensed
9 for consumption within the State to retire any
10 associated credit or debit;
- 11 (9) Exemptions for diesel, gasoline, or other fuels used
12 by aircraft, railroad locomotives, military vehicles,
13 and interstate waterborne vessels;
- 14 (10) Procedures for verifying credits and deficits
15 generated under the clean fuel standard; and
- 16 (11) A requirement that the department of transportation
17 shall use the most recently updated version of Argonne
18 National Lab's GREET model, or its successor model,
19 and shall update its lifecycle analysis methodology at
20 least biennially or triennially by rule.



1 (b) The department of transportation shall adopt rules
2 pursuant to chapter 91 that include:

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

6 (2) Mechanisms whereby an electric utility, electric
7 vehicle charging provider, or energy producer can
8 generate credits for electricity used in
9 transportation; provided that the department of
10 transportation shall develop these mechanisms based on
11 best practices in other states and in consultation
12 with industry stakeholders;

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

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



- 1 (5) A schedule to phase in the implementation of the
2 standards for alternative fuels that have achieved a
3 predominant market share and have an average carbon
4 intensity that exceeds the annual diesel or gasoline
5 carbon intensity standard;
- 6 (6) A mechanism through which electric utilities and
7 public agencies direct at least fifty per cent of
8 their overall credit value to electrified
9 transportation programs, projects, or investments to
10 directly benefit overburdened or underserved
11 populations. Electrified transportation programs,
12 projects, or investments under this paragraph may
13 include rebates for the purchase of electric vehicles,
14 electric micromobility devices, and related charging
15 equipment;
- 16 (7) Any standards, specifications, testing requirements,
17 and other measures as needed to ensure the quality of
18 gasoline, diesel, and alternative fuels used in
19 accordance with the clean fuel standard;
- 20 (8) Consultation and coordination with other jurisdictions
21 that are also implementing clean fuel standard



1 programs to promote best practices and administrative
2 efficiency; provided that the department of
3 transportation may base the State's clean fuel
4 standard on similar policies in jurisdictions such as
5 California, Oregon, and Washington;

6 (9) A method to utilize the carbon intensity pathways
7 already approved in other states like California,
8 Oregon, and Washington to reduce the burden of
9 administering and certifying the carbon intensity of
10 transportation fuels in the clean fuel standard;

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

13 (11) Exemptions for diesel, gasoline, and alternative fuels
14 that are used in volumes below thresholds established
15 by the department of transportation; provided that the
16 department of transportation shall develop these
17 exemptions based on best practices in other states;

18 (12) An automatic acceleration mechanism designed to
19 tighten carbon intensity targets to mitigate the risk
20 of credit oversupply, such as credit clearance
21 markets, credit price ceilings and floors, and other



1 mechanisms; provided that the department of
2 transportation shall develop this mechanism based on
3 best practices in other states; and
4 (13) Mechanisms for electric vehicle charging providers to
5 calculate and generate credits based on the capacity
6 of public fast charging infrastructure to charge
7 electric vehicles; provided that the department of
8 transportation shall develop these mechanisms based on.
9 best practices in other states.

10 (c) The rules adopted under this section shall establish a
11 credit clearance market to protect Hawaii consumers from
12 unreasonable fuel price increases resulting from the clean fuel
13 standard; provided that the rules shall establish a maximum
14 credit price per compliance period, which shall not exceed \$200
15 in 2026 dollars, adjusted annually for inflation pursuant to the
16 consumer price index for all urban consumers as published by the
17 United States Bureau of Labor Statistics; provided further that
18 regulated parties who are unable to retire sufficient credits by
19 the end of an applicable year shall participate in the credit
20 clearance market, with any remaining deficit carried forward



1 without penalty, subject to interest not exceeding five per cent
2 per year.

3 (d) The department of transportation shall annually
4 calculate and publish the per-gallon consumer cost of the clean
5 fuel standard for gasoline and diesel as follows: the
6 difference between the carbon intensity of the applicable fuel
7 and the annual carbon intensity standard, multiplied by the
8 fuel's energy density in megajoules per gallon, multiplied by
9 the energy economy ratio of that fuel (which for gasoline and
10 diesel, as the reference fuels under the program, shall be 1.0),
11 divided by one million, and multiplied by the volume-weighted
12 average credit price. Results of this calculation, including
13 all inputs, shall be submitted to the legislature by March 1 of
14 each year.

15 If the per-gallon compliance cost calculated under this
16 subsection exceeds fifteen cents for gasoline or diesel in any
17 compliance year, the department of transportation, within sixty
18 days of the date on which the calculation is submitted to the
19 legislature, shall publicly determine whether consumer
20 protection action is warranted. If the department of



1 transportation determines that action is warranted, the
2 department shall take one or more of the following actions:

3 (1) Reduce the carbon intensity schedule to the prior
4 compliance period standard;

5 (2) Activate the credit clearance market outside the
6 standard calendar; or

7 (3) Implement consumer cost containment measures
8 consistent with best practices established in other
9 states having similar clean fuel standard programs.

10 If the department of transportation determines that no action is
11 warranted, it shall publish its findings and reasoning on its
12 website and submit them to the legislature within the same
13 sixty-day period.

14 (e) Within two years following the adoption of a clean
15 fuel standard for alternative fuels and biennially thereafter,
16 the department of transportation shall submit a report to the
17 legislature no later than twenty days prior to the convening of
18 each regular session. The report shall include:

19 (1) The program's implementation status;

20 (2) Metrics demonstrating the program's effectiveness,
21 including emissions reduction data;



- 1 (3) The program's market impacts and credit activity;
- 2 (4) Anticipated program modifications or expansions, if
- 3 any; and
- 4 (5) Any proposed legislation.
- 5 (f) Within one year following the adoption of a clean fuel
- 6 standard for alternative fuels and biennially thereafter, the
- 7 department of transportation shall conduct public informational
- 8 sessions in each county to provide updates on the implementation
- 9 and performance of the clean fuel standard on alternative fuels;
- 10 provided that the department may supplement in-person sessions
- 11 with virtual engagement opportunities.
- 12 (g) For any substantive rule amendments or expansion of
- 13 the clean fuel standard for alternative fuels adopted on or
- 14 after January 1, 2028, the department shall conduct at least one
- 15 public informational session in each county, including virtual
- 16 participation options, no less than one hundred twenty days
- 17 prior to the effective date of the rule or expansion.
- 18 (h) 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, in
10 consultation with the department of health; provided that
11 consultation with the department of health shall not limit,
12 transfer, or supersede the rulemaking authority of the
13 department of transportation or Hawaii state energy office."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2026.



S.B. NO. 2999
S.D. 1
H.D. 2
C.D. 1

Report Title:

DOT; Clean Fuel Standard; Alternative Fuels; Administrative Rules; Reports

Description:

Requires the Department of Transportation to adopt rules by 1/1/2028 governing a clean fuel standard for alternative fuels in the State. Requires reports and public information sessions. (CD1)

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