EXECUTIVE CHAMBERS
KE KE‘ENA O KE KIA‘ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA‘ĀINA

House Committee on Finance
Tuesday, April 7, 2026
2:00 p.m.
State Capitol, Conference Room 308 and Videoconference

In Support
Senate Bill No. 2999 SD1 HD2, Relating to a Clean Fuel Standard

Chair Todd, Vice Chair Takenouchi, and Members of the House Committee on Finance:

The Office of the Governor **supports** S.B. No. 2999 SD1 HD2, Relating to a Clean Fuel Standard.

SB2999 SD1 HD2 advances our State’s climate and energy objectives by requiring the Department of Transportation to implement a program that gradually reduces the carbon intensity of transportation fuels. This measure establishes a necessary timeline, requiring the Department of Transportation to adopt rules governing a clean fuel standard for alternative fuels in the state by 2028, with initial reductions beginning in 2035 and more significant reductions by 2045.

Building a clean energy future has remained a top priority of this administration. Since taking office in 2022, several measures have been enacted into law, including SB691 (Act 224), HB192 (Act 225), and SB1024 (Act 226), to strengthen efficiency standards, protect the environment, and expand opportunities for collaboration. These actions reflect the State’s ongoing commitment to achieving one hundred percent clean energy by 2045.

This measure establishes requires fuel providers to account for and offset the environmental impact of the fuels they sell by retiring associated credits or debits under a clean fuel standard system. It authorizes credit trading, banking, and optional participation for certain sectors, encouraging flexibility while fostering innovation across the energy market.

The bill also includes appropriate exemptions for aviation, military, rail, and maritime uses. In addition, it incorporates cost containment measures, coordination with other states, and periodic updates to emissions modeling to ensure that the program remains effective and adaptable over time.

Transitioning to sustainable energy may be challenging, but it is vital to protecting our natural resources. SB2999 SD1 HD2 takes a significant step toward achieving the State's energy goals while preserving Hawaii for future generations.

Mahalo for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
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KE KIA'ĀINA

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DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

Tuesday, April 7, 2026
2:00 PM
State Capitol, 308

SB2999, SD1, HD2
RELATING TO ACLEAN FUEL STANDARD

House Committee on Finance

The Department of Transportation (DOT) strongly supports SB2999, SD1, HD2, which requires the Department of Transportation to adopt rules governing a Clean Fuel Standard for alternative fuels in the state, thereby taking action to reach Hawai'i's statewide decarbonization and energy security targets established in law. The DOT also attaches FAQs regarding a Clean Fuel Standard based on questions previously posed by this committee and other committees and legislators.

Transportation is Hawai'i's largest source of greenhouse gas (GHG) emissions, accounting for approximately 49.8% of the state's total GHG emissions according to the Department of Health's most recent GHG Inventory from 2022. A Clean Fuel Standard (CFS) establishes a long-term market-based framework for steadily reducing the Carbon Intensity (CI) of transportation fuels used statewide by incentivizing the use of lower-carbon and renewable fuel alternatives, thereby decreasing the State's reliance on imported petroleum. A CFS assigns a CI score to all fuels based on a lifecyle carbon accounting. A CI standard is set, which decreases over time. Fuels with a CI score below the standard generate credits. Fuels with a CI score above the standard generate deficits. The fuel wholesaler manages their credit balance and can buy/sell directly to/from other credit holders.

A CFS regulates ground transportation fuel wholesalers (gasoline and on-road diesel), and allows marine and aviation fuel wholesalers to opt-in and generate credits when marine and aviation fuels with a CI score below the standard are used. As seen in states with a CFS – Oregon, California, Washington, New Mexico, Canada, and many European countries – this framework encourages the development and import of a diversified mix of cleaner fuels including renewable diesel, biodiesel, hydrogen, sustainable aviation fuel, and renewable electricity, and has helped those states to collectively avoid millions of metric tons of greenhouse gas (GHG) emissions. Diversifying our fuel supply reduces reliance on imported fossil fuels and builds economic and energy resilience for the state.

The DOT recognizes the critical role that fuel decarbonization plays in achieving the State's long-term energy security and transportation goals. The DOT's Hawai'i Energy Security and Waste Reduction Plan, published in October 2025, identifies the CFS as a key tool for reducing transportation-related emissions. The Plan states that "a clean fuel standard is predicted to decrease the carbon intensity of Hawai'i's transportation fuel pool and provide low-carbon and renewable alternatives that would reduce petroleum dependency" (Plan p. 73). Without the timely implementation of additional emission reduction strategies, including clean fuel policies, Hawai'i will not meet its statutory emissions reduction targets.

The DOT's Energy Security and Waste Reduction Plan has three pillars that act as check and balances to develop and prioritize the Plan's strategies: 1) affordability, 2) local energy security, and 3) emissions reduction. While the Plan identified a Clean Fuel Standard as a key tool for reducing transportation-related emissions, the DOT wanted to understand the impacts of a CFS on affordability for Hawai'i residents. We are developing a Clean Fuel Standard Hawaii Feasibility Assessment, assisted by the firm ICF, and share key initial findings from the Draft Initial Findings Report below:

Hawai'i's fuel use is dominated by liquid fuels, with large CFS opt-in opportunities in aviation and marine. Annual consumption includes about 425 million gallons of gasoline (typically 10% ethanol), 45 million gallons of diesel (about 8% biodiesel blend), 725 million gallons of aviation fuel, and 55 million gallons of domestic marine fuel. EVs are about 20% of new vehicle sales.

Supply options exist. Ethanol is fully imported, and biodiesel is locally produced. Renewable Diesel/Sustainable Aviation Fuel (RD/SAF) could grow through domestic production and imports. Electricity CI reduction hinges on grid decarbonization under the RPS.

Scenario modeling shows substantial CI reductions are achievable with a CFS, with results sensitive to clean fuel availability:
** Moderate Scenario CI reductions: 29% by 2035, 35% by 2040, 50% by 2050.
** Aggressive Scenario CI reductions: 20% by 2035, 43% by 2040, 55% by 2050.

Modeling results indicate that a CFS could increase gasoline and diesel prices by approximately 5 to 14 cents per gallon under the Moderate scenario and 5 to 20 cents per gallon under the Aggressive scenario through 2035, assuming full pass-through of compliance costs. These impacts are primarily driven by credit market conditions and the availability of fuels used for compliance.

Compliance with a CFS would encourage a broader mix of low carbon transportation fuels, including increased use of electrification as well as opt-in fuels such as sustainable aviation fuel and alternative marine fuels.

As next steps, the team will continue to refine the modeling by evaluating additional CFS compliance scenarios and sensitivities, support DOT's stakeholder engagement on program design and feasibility findings, and assess alternative policy frameworks that could be considered in lieu of a CFS program.

After reviewing the draft initial findings above, and with affordability for residents as one of the three pillars of the Energy Security and Waste Reduction Plan, the DOT is now

working with our consultant to further develop the Moderate scenario and to develop a third Conservative scenario with even greater emphasis on affordability for disadvantaged, rural, and underrepresented communities that may not yet have the option of immediately switching to an electric vehicle or accessing a lower Carbon Intensity fuel. The DOT estimates that under the Conservative scenario, a CFS would cap gasoline and diesel price increases by a more affordable price of 3 to 5 cents per gallon in the first five years, with prices to gradually rise as the standard tightens.

The initial findings support the carbon intensity reduction targets included in the bill language—10% CI reduction by 2035 and 50% CI reduction by 2045, which Conservative, Moderate, and Aggressive scenarios could meet. The initial findings demonstrate that the implementation of a Clean Fuel Standard with the targets in the bill will diversify the transportation fuel market, thereby strengthening local energy and transportation security, and helping to moderate fuel prices by protecting against the volatility in the global oil market.

In regards to Section 2(b)(4) that requires DOT to adopt rules that include: “Mechanisms whereby alternative fuel users can opt in to the clean fuel standard to generate credits when it displaces the combustion of gasoline or diesel in off road, heating, cooling, and temporary power generation;” the DOT wants to clarify that for the foreseeable future, we do not plan to include alternative fuels used to displace gasoline and diesel in heating and cooling (a.k.a stationary combustion) or temporary power generation as a credit generator. There is precedent in other Clean Fuel Standard programs for generating credits by using alternative fuels in off-road transportation applications; however, there does not appear to be precedent for credit generation pathways for the use of alternative fuels in stationary combustion and temporary power generation. A Hawaii Clean Fuel Standard for the foreseeable future would be a tool to reduce the Carbon Intensity and emissions from transportation fuels only, which may include off-road usage. Having made that clarification, the DOT is comfortable leaving Section 2(b)(4) in the bill to provide flexibility in the long-term.

DOT is currently identified as the implementing agency in the bill, and as such appreciates the flexibility that the bill currently affords the agency in the development of program rules to help achieve the four objectives outlined. The DOT's initial research and discussions with implementing agencies in other jurisdictions have highlighted the importance of bill language that strikes a balance between providing clear direction to the implementing agency (e.g., achieving an average carbon intensity reduction of not less than 10 percent by 2035 compared to 2019 levels) while also providing the implementing agency the flexibility to write rules that reflect and respond to the transportation fuels market. DOT looks forward to working with the Legislature, stakeholders, and relevant state agencies to implement a program that is both environmentally impactful and sensitive to the economic realities faced by Hawaii's residents and businesses.

Thank you for the opportunity to provide testimony in strong support.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

STATE OF HAWAIʻI | KA MOKUʻĀINA ʻO HAWAIʻI
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COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
LEAH LARAMEE
Climate Change Coordinator on behalf of
Climate Change Mitigation and Adaptation Commission
Co-Chair Ryan K. P. Kanakaʻole

Before the House Committee on
~~TRANSPORTATION~~FINANCE

Tuesday, ~~March 24~~April 7, 2026
~~2~~9:00 PA~~M~~M
State Capitol, Conference Room ~~430~~308

In consideration of
SENATE BILL 2999, SENATE DRAFT 1, HOUSE DRAFT ~~1~~2
RELATING TO A CLEAN FUEL STANDARD

Senate Bill 2999, Senate Draft 1, House Draft ~~1~~2 proposes to require the Department of Transportation to adopt rules by January 1, 2028 governing a clean fuel standard for alternative fuels in the State, **The Hawaiʻi Climate Change Mitigation and Adaptation Commission (Commission) supports this measure.**

The Commission consists of a multi-jurisdictional effort between 20 departments, committees, and counties with the purpose of promoting ambitious, climate-neutral, culturally responsive strategies for climate change adaptation and mitigation.

Setting a clean fuel standard will reduce carbon pollution from transportation, the largest source of greenhouse gas (GHG) emissions in Hawaiʻi by reducing these emissions from the production and supply of transportation fuels. Washington, California, Oregon New Mexico, and British Columbia, Canada, have adopted clean fuel standards. In California, renewable natural gas (RNG) made up just 5.1% of all on-road alternative fuels and generated 19.2% of all CO2 equivalent reductions of on road alternative fuels. In addition to reducing GHG emissions, clean fuel standards diversify the transportation fuel supply and improve public health. Clean fuel standards provide economic opportunity and can create jobs associated with the production and delivery of new fuels. Clean fuel standards look at life cycle emissions, not just tailpipe emissions ensuring that truly clean fuels are identified.

Mahalo for the opportunity to comment on this measure.

Environmental Caucus of
The Democratic Party of Hawai‘i

TESTIMONY OF THE ENVIRONMENTAL CAUCUS OF THE DEMOCRATIC PARTY OF HAWAI‘I IN OPPOSITION TO SB2999 HD2 RELATING TO A CLEAN FUEL STANDARD

Chair Chris Todd, Vice Chair Jenna Takenouchi
House Committee on Finance (FIN)
Date: Tuesday, April 7, 2026
Time: 2:00 PM
Place: Conference Room 308 & Videoconference

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

The Environmental Caucus of the Democratic Party of Hawai‘i respectfully opposes SB2999 HD2.

While the Caucus supports reducing greenhouse gas emissions from the transportation sector, SB2999 HD2 relies on combustion-based “alternative fuels” and waste-derived feedstocks that conflict with established environmental-justice and energy-justice principles. The bill’s structure, modeled on California, Oregon, and Washington’s Low Carbon Fuel Standard (LCFS) programs, creates incentives for fuels and technologies that are not zero-emission and that disproportionately impact overburdened communities.

Our concerns are based on the bill text itself.

1. The bill explicitly promotes combustion of waste, biomass, and industrial residuals

SB2999 HD2 states that a clean fuel standard will create new markets for: (1) municipal solid waste, (2) construction and demolition debris, (3) agricultural and forestry residuals, (4) industrial emissions, (5) invasive species biomass, and (6) used cooking oil.

These are combustion fuels, not zero-emission pathways. Energy-justice frameworks identify these as false alternatives because they: (1) perpetuate burning, (2) generate toxic air pollution, (3) undermine recycling and composting, (4) incentivize waste production, and (5) delay the transition to true zero-emission transportation.

2. The bill adopts a carbon-intensity credit trading system that subsidizes combustion fuels

SB2999 HD2 requires DOT to implement: (1) carbon-intensity credits, (2) deficits, (3) credit banking, (4) credit trading, and (5) GREET-model lifecycle scoring. These mechanisms are used in LCFS programs that have historically subsidized renewable natural gas, landfill gas, waste-derived fuels, and biofuels, all of which are combustion-based and inconsistent with environmental-justice principles.

3. The bill defines "alternative fuel" broadly enough to include nearly all burnable fuels

SB2999 HD2 defines alternative fuel as: "any fuel that is not fossil-fuel based and is used for transportation purposes." This includes: (1) biofuels, (2) biomass fuels, (3) waste-derived fuels, (4) landfill gas, (5) renewable natural gas, and (6) hydrogen produced from fossil gas if classified as "alternative." These pathways are widely recognized as false solutions that continue combustion and pollution.

4. The bill does not prioritize electrification or zero-emission transportation

SB2999 HD2 contains no requirement that: (1) credits prioritize EV charging, (2) utilities direct credits to zero-emission transportation, or (3) combustion fuels be phased out. The bill is explicitly technology-neutral, which allows combustion fuels to dominate the credit market.

5. The bill encourages a "circular economy" model that includes burning waste

SB2999 HD2 states that the clean fuel standard will: "create new markets for what is usually considered waste." This includes municipal solid waste and construction debris — materials that should be reduced, reused, or recycled, not burned for fuel.

6. Environmental-justice concerns

Combustion-based fuels disproportionately impact: (1) frontline communities, (2) low-income neighborhoods, (3) communities near industrial facilities, and (4) areas already burdened by air pollution. A clean fuel standard should not create new combustion markets or expand existing ones.

Conclusion

The Environmental Caucus supports reducing transportation emissions, but SB2999 HD2 relies on combustion-based pathways that conflict with environmental-justice and energy-justice principles. The bill promotes waste-derived

fuels, biomass combustion, and carbon-intensity credit trading systems that subsidize non-zero-emission technologies.

For these reasons, the Environmental Caucus respectfully urges the Committee to hold SB2999 HD2.

Mahalo nui loa for the opportunity to testify.

Alan Burdick, Co-Chair, burdick808@gmail.com
Mike Ewall, Co-Chair, mike@energyjustice.net
Melodie Aduja, Co-Chair *Emerita,* Legislativepriorities@gmail.com
Environmental Caucus Democratic Party of Hawai‘i

April 7, 2026

COMMENTS TO
SB 2999 SD1 HD2
RELATING TO A CLEAN FUEL STANDARD

House Committee on Finance
The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair

Tuesday, April 7, 2026, 2:00 p.m.

VIA VIDEOCONFERENCE
Conference Room 308
State Capitol
415 South Beretania Street

Chair Todd, Vice Chair Takenouchi, and Members of the Committee,

Island Energy Services, LLC ("IES") offers the following comments on SB2999, SD1, HD2 which proposes the implementation of a Clean Fuel Standard (CFS) for Hawai'i.

The CFS program's flexibility is a key factor in its potential success. By allowing producers to choose how they reduce emissions, whether using renewable fuels or the acquisition of credits—it empowers the market to drive innovation. The program's technology neutral stance further encourages the introduction of new and diverse renewable fuels to the market.

The CFS program treats both local renewable production and renewable fuel imports equitably when considering the carbon intensity. We very much support in-state production of biofuels, however imports will need to be part of the fuel solution to enable Hawaii to meet its long range decarbonization goals and this CFS program allows imports for that to be possible.

Hawaii should be aligning carbon regulations with the other western states and Canada (CA, OR, WA, BC) given its geographic location and market dynamics to create a level commercial playing field. Hawai'i will be in direct competition with the U.S. West Coast states and British Columbia

for renewable fuels and without a carbon pricing or similar CFS program, Hawai'i will be at a distinct commercial disadvantage to attract renewable fuels.

The CFS program is an equitable way to drive carbon intensity down across end-users. IES believes that CFS programs are a more equitable way to drive carbon intensity down rather than tax-based programs. CFS programs burdens the users of the fuel rather than unfairly burdening the taxpayers of Hawaii.

Given the requirements outlined in the Navahine v. Hawaii Department of Transportation settlement to address climate concerns in the transportation sector, IES believes that fuels for intrastate marine vessels should be included in the program as well. As written, the current bill allows for exemptions for diesel, gasoline, or other fuels used by aircraft, railroad locomotives, military vehicles, and interstate waterborne vessels.

We thank the House Committee on Finance for hearing this bill and thank you for the opportunity to testify.

Albert D.K. Chee, Jr
Executive Vice President Island Energy Services, LLC

APRIL 7, 2026

SENATE BILL 2999 SD1 HD2

CURRENT REFERRAL: FIN

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President

David Negaard,
Director

Mireille Ellsworth,
Director

Justin Salisbury,
Director

Eileen Roco,
Director

Beatrice DeRego,
Director

Corey Rosenlee,
Director

Amy Zhao,
Policy and Partnerships Strategist

POSITION: SUPPORT

Imua Alliance supports SB 2999 SD1 HD2, relating to a clean fuel standard, which requires the Department of Transportation to adopt rules by 1/1/2028 governing a clean fuel standard for alternative fuels in the State.

Imua Alliance is a Hawai'i-based organization dedicated to ending all forms of exploitation, including the interconnected emergencies of climate change and sexual violence. According to research conducted by Michael B. Gerrard from Colombia Law School, modern-day slavery tends to increase after natural disasters or conflicts where large numbers of people are displaced from their homes. In the decades to come, says Gerrard, climate change will very likely lead to a significant increase in the number of people who are displaced and, thus vulnerable, to gender abuse.

Transportation is Hawai'i's largest source of climate pollution and the state's own planning identifies clean fuels as a near-term necessity alongside electrification. In its Energy Security and Waste Reduction Plan (October 2025), the Hawai'i Department of Transportation identifies implementing a Clean Fuel Standard (also known as a CFS) as an immediate administrative strategy to "incentivize the production and distribution of cleaner fuels," and states it is "poised to start a CFS feasibility study" to evaluate affordability impacts, especially for disadvantaged and rural communities. The plan further underscores why urgency is warranted: Hawai'i's 2022 inventory shows roughly 50% of statewide emissions come from transportation, with domestic aviation driving a very large share of transportation emissions.

A clean fuel standard reduces the average lifecycle carbon intensity of transportation fuels over time, while allowing compliance through a flexible credit market. Fuels cleaner than the benchmark generate credits; fuels above it generate deficits, creating a durable, technology-neutral incentive for low-carbon alternatives (renewable diesel, biofuels with verified

lifecycle benefits, electricity, hydrogen, and sustainable aviation and marine fuels, as applicable). HIDOT's Plan specifically notes Hawai'i must avoid incentivizing "alternative fuels with high upstream emissions," reinforcing the need for lifecycle accounting and guardrails.

This policy model is proven and scalable. The Washington State Department of Ecology reports that in the first year of Washington's Clean Fuel Standard, carbon intensity fell 1.3%–more than double the 0.5% statutory requirement–and program participants generated 1,946,406 credits (each equal to 1 metric ton CO_2e avoided). Washington's program targets a 45% reduction below a 2017 baseline by 2038. California's program—administered by the California Air Resources Board—and Oregon's Clean Fuels Program show similar market-based approaches can drive investment and cleaner fuel supply over time.

In addition to reducing emissions, a clean fuel standard can serve as a revenue-generating tool that supports Hawai'i's broader transportation and climate goals. In states with existing programs, credit market activity and compliance mechanisms have generated substantial economic value that can be reinvested locally. For example, Washington State reports that its clean fuel standard generated nearly 2 million credits in its first year alone, representing measurable emissions reductions and significant private-sector investment in clean fuels.

A Hawai'i Clean Fuel Standard could similarly generate revenue through fees, penalties, or credit auction mechanisms, with proceeds dedicated to priorities such as public transit, zero-emission vehicle infrastructure, sustainable aviation and marine fuels, rural energy resilience, and rebates or protections for households facing higher transportation costs. When designed thoughtfully, a CFS can reduce pollution while also strengthening energy security and funding equitable climate solutions.

To ensure a Clean Fuel Standard delivers real climate, health, and equity benefits for Hawai'i, implementation details will matter. According to HIDOT's 2025 Energy Security and Waste Reduction Plan, Hawai'i must be careful not to promote "alternative fuels with high upstream emissions" and should design policies that reflect the state's unique geography, import dependence, and neighbor-island realities. Strong sustainability safeguards, public reporting on credits and emissions reductions, and attention to affordability will be essential to maintaining public trust and maximizing the effectiveness of a CFS.

With aloha,

Kris Coffield

President, Imua Alliance

1 Tesla Road, Austin, TX 78725
www.tesla.com/contact

April 7, 2026

House Committee on Finance
The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair

Senate Bill 2999, Relating to a Clean Fuel Standard

Tuesday, April 7, 2026, 2:00 PM

Position: Support with Amendments

Chair Todd, Vice-Chair Takenouchi, and members of the committee:

Thank you for the opportunity to provide testimony on behalf of Tesla in support of SB 2999. We respectfully encourage the committee to consider amendments to ensure that Hawai'i's Clean Fuel Standard (CFS) captures and accelerates the benefits of electric vehicles (EVs).

A CFS can be a powerful tool for Hawai'i to reduce lifecycle emissions from transportation fuels, spur private investment, and improve energy resilience. We propose the following amendments to ensure these outcomes are achieved:

1) Clarify that transportation electrification is an eligible credit pathway.
SB 2999 should explicitly ensure that electricity used for transportation can generate credits on equal footing with other eligible fuels by:

- Including electricity within the program's eligible "alternative fuel" category; and
- Enabling participation by automotive manufacturers and EV charging providers.

2) Allow capacity-based crediting to accelerate the buildout of public fast charging
Hawai'i's charging needs will be met by a combination of charging technologies, including public fast charging. A capacity-based crediting option, designed by DOT through rulemaking, can help ensure immediate capacity to support EV adoption as the market matures.

3) Ensure program integrity as the market evolves
Including a mechanism that allows DOT to respond to market conditions, including potential credit oversupply, will ensure that the CFS keeps driving real emissions reductions over time.

SB 2999 will be best positioned to help Hawai'i reduce transportation emissions and accelerate cleaner mobility if it fully incorporates electrification and provides DOT clear and durable implementation authority. Tesla supports SB 2999 and respectfully encourages consideration of amendments consistent with the above-referenced goals.

Respectfully submitted,

Kevin George Miller
Managing Policy Advisor
Tesla, Inc.

Clean Energy
Ryan.Kenny@cleanenergyfuels.com

www.cleanenergyfuels.com

Ryan Kenny
Policy Director – Western U.S.

House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair

April 7, 2026
2:00pm
Conference Room 308

Aloha Chair Todd and Vice Chair Takenouchi:

On behalf of Clean Energy, I would like to express **strong support for SB 2999** which would require the Department of Transportation to adopt rules governing a clean fuel standard for alternative fuels in the state of Hawaii.

Our company was a foundation stakeholder since a CFS was conceived in the respective California, Oregon, New Mexico and Washington processes. Each of these states has been a success and we believe it will be a success in Hawaii as well. As North America's largest provider of renewable natural gas (RNG) transportation fuel with over twenty-nine years of leading industry experience, Clean Energy provides construction, operation and maintenance services for refueling stations nationwide. We have a deep understanding of the growing marketplace, as our portfolio includes over 600 stations in 43 states and we deliver liquified natural gas to Hawaii's utility and built a fuel station in Honolulu.

Already used as a clean, low carbon source of energy around the world, RNG is proven to be a cost-saving alternative fuel to diesel and gasoline. RNG for transportation fuel strengthens our economy with lower fuel costs, increases our energy security, and significantly benefits our environment by reducing carbon emissions and smog-forming NOx emissions by up to 300% and 99%, respectively, relative to diesel fuel.

As we have seen in California, this approach will not significantly raise fuel prices. Recent analyses show that retail fossil fuel prices are strongly influenced by many factors (e.g., global events, holiday weekends, seasonal fluctuations, refinery disruptions and decisions about production that affect supply, refinery pricing decisions, seasonal fuel blends, and taxes) and fossil fuel producer pricing strategies are complex, reflecting local and regional market conditions. **As the California Air Resources Board has noted: "The reality is that the actual cost pass-through from LCFS to retail gasoline or diesel prices is uncertain, that there is no correlation between historical LCFS credit prices and gasoline prices, and that the LCFS is not a major driver of overall retail fuel prices in California."**

The CFS is a cost-effective critical tool not only to effectively meet carbon emission reduction targets, but also as a mechanism that fosters technological innovation, supports a robust market for alternative fuels, provides long-term investment certainty and stimulates job creation and investment.

In addition, the CFS could provide compliance flexibility to producers of high carbon intensity transportation fuels to either invest in low carbon alternative fuels or to purchase credits from low carbon fuel producers. This market-based program enables regulated parties to make their own choice as to whether to invest in low carbon fuels directly or to continue to sell purely high carbon emitting fuels.

For example, California's LCFS is working: it's helping deliver clean air, good jobs and clean energy choices to all Californians and has strengthened the demand for low carbon fuels. California is the fourth-largest economy in the world: we can have clean fuels and grow our economy. The CFS is a powerful tool for supporting the commercialization of the fastest broad-market transitions to clean and low-carbon technologies.

Our company is a prime example of success from clean fuel standards and we look forward to continuing this success in Hawaii. **Please support SB 2999.**

Sincerely,

Ryan Kenny
Policy Director – Western U.S.
Clean Energy

House Committee on Finance

Representative Chris Todd, Chair

Representative Jenna Takenouchi, Vice-Chair

April 7, 2026

2:00 p.m.

Conference Room 430

Pump Cleaner Fuels Hawai‘i is grateful for the opportunity to express **strong support** for **SB2999_SD1_HD2** to implement a HI Clean Fuel Standard (CFS). The CFS is a strong, reliable, and proven policy mechanism that addresses fuel emissions while enhancing energy security, resilience, and economic prosperity. SB2999_SD1_HD2 represents a pragmatic, actionable plan to decouple emissions from economic growth and feasibly transition Hawai‘i to a renewable economy. Attached below are resources showcasing this in existing CFS markets.

Hawai‘i’s dependence on the transportation sector underscores the critical importance of prioritizing the industry’s economic output and long-term resilience. With current reliance on imports to supply fuels, a CFS will reduce Hawai’i’s vulnerability to supply chain disruptions, geopolitical uncertainty, and volatile global fuel prices. By slowly requiring reductions in the lifecycle emissions of transportation fuels over time, SB2999_SD1_HD2 offers a flexible approach that allows market participants to utilize the most cost-effective strategies to address greenhouse gas emissions.

Clean Fuel Standard–like programs in California, Washington, Oregon, and throughout Canada have created markets where consumers are protected, economic growth is strong, and emissions are declining year over year. States with these policies have benefited from the deployment of electric charging infrastructure, private investment, job creation and protection, and significant public health benefits through reduced air pollution. Hawai‘i has the opportunity to replicate these benefits through the passage and implementation of this program.

SB2999_SD1_HD2 aligns with Hawai‘i’s climate and economic goals and utilizes a private market approach rather than a mandate or a tax. For these reasons, I respectfully urge the Committee to pass SB2999_SD1_HD2.

Sincerely,

Liat Carlyle

The below is taken from the Washington 2024 Annual Cost of the Clean Fuel Standard. The full report can be found at: https://apps.ecology.wa.gov/publications/documents/2514025.pdf

Estimated per-gallon cost of the CFS program

The cost of gasoline and diesel, like most globally traded commodities, is primarily driven by global market forces. Factors such as seasonal fluctuations, refinery or pipeline disruptions, and geopolitical events dictate supply and demand, and fuel producers and suppliers use complex, competitive pricing strategies reflecting these varying conditions. Government policies, like the CFS, typically have a minor influence on retail fuel prices compared to global market forces.

The estimated cost impacts of the CFS are the cost of purchasing credits (the cost of compliance) and the cost of the annual fee charged to administer the program, distributed across the total volume of fuel sold in Washington. Our methods for calculating these values use standardized carbon intensity values and an average credit price. To reflect the reality that consumers face when they fill their gas tanks, we estimated average cost impacts on a gallon of gasoline blended with 10% ethanol (E10) and a gallon of diesel blended with 2.5% biodiesel (B2.5). Nationally, gasoline is blended with 10% ethanol on average,[4] and Washington law requires all diesel to be blended with at least 2% biodiesel.[5]

The cost impacts shown below are based on assumptions that may not perfectly reflect actual business decisions in a competitive market. While these estimates account for the cost savings generated when revenue from CFS credits is used to lower the cost of low-carbon fuels that are blended into gasoline and diesel, they also assume that producers and suppliers pass on the full cost of the program fee to consumers. In reality, a company's ability to pass on its full compliance cost to consumers may be limited by market competition.

Our analysis determined the following estimated cost impacts for 2024:

Estimated cost impact	E10 gasoline	B2.5 diesel
Cost of compliance per gallon	$0.0052	$0.0062
Cost of CFS fee per gallon	$0.0006	$0.0006
Total	**$0.0059**	**$0.0068**

The values in this table were calculated using the formulas described in this publication.

Cost per gallon: Average estimated per-gallon cost of CFS compliance

The average estimated cost of the CFS is associated with the difference in the carbon intensity of the fuel when compared to the carbon intensity standard for the year and the cost of credits in the program. The formula below is also used by the Oregon Clean Fuels Program to estimate the average cost per gallon of gasoline or diesel fuel.[6]

$$Average\ estimated\ cost\ of\ compliance\ per\ gallon = [(Carbon\ Intensity - Standard) \times (Energy\ Density)] \times \left(\frac{1\ tonne}{1{,}000{,}000\ g}\right) \times (Credit\ Price)$$

[4] https://afdc.energy.gov/fuels/ethanol-fuel-basics
[5] https://app.leg.wa.gov/rcw/default.aspx?cite=43.19.642
[6] https://www.oregon.gov/deq/ghgp/cfp/pages/annual-cost.aspx

The below is taken from the LCFS Fuel FAQ Document prepared by CARB. The full report can be found at: https://ww2.arb.ca.gov/sites/default/files/2024-10/LCFS_Fuel_FAQ.pdf

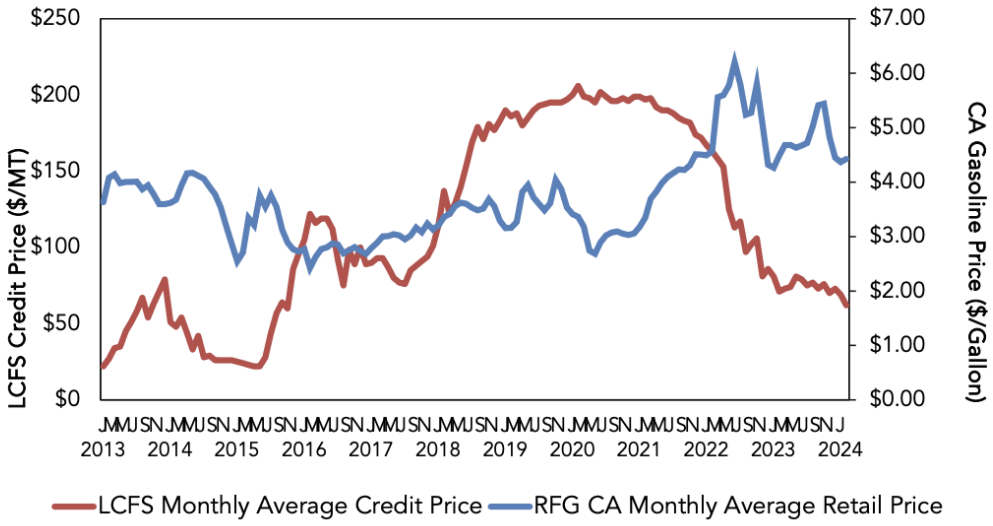
Low Carbon Fuel Standard
Fuel Prices
October 16, 2024

CALIFORNIA AIR RESOURCES BOARD

This factsheet describes the analysis conducted and relevant information regarding fuel prices and costs and benefits associated with the implementation of the Low Carbon Fuel Standard (LCFS) Program. The LCFS is currently being amended to align with the most recent AB 32 Scoping Plan which lays out a cost-effective and technologically feasible path to achieve the greenhouse gas (GHG) reduction targets in SB 32 and AB 1279. Like the Renewables Portfolio Standard (RPS) does for the electricity sector, the LCFS is aimed to diversify and decarbonize energy, here in the transportation sector. A portfolio approach that includes an RPS, LCFS, incentives, carbon pricing, vehicle and equipment mandates and other regulations ensures that every sector decarbonizes and contributes to the GHG reductions needed to achieve the state's GHG reduction targets. Similar programs are also being implemented in Washington, Oregon, New Mexico, Canada, Brazil, and the European Union.

Is there a relationship between the Low Carbon Fuel Standard credit prices and retail gas prices?

No. The graphic below shows the changes in the LCFS credit prices and fuel prices for gasoline. It shows no relationship between the two. Most notably, retail gas prices have been at historic highs, steadily climbing since 2020 (blue line). While LCFS credit prices have been on a steady decline during that same time (red line).



Is LCFS helping lower the cost of driving?

Yes, transportation fuel expenditures will continue to decline over time. LCFS is expected to help save Californian's billions in the next two decades as consumers transition away from fossil gasoline and diesel expenditures and increase their use of more efficient vehicles and low carbon fuels. CARB's analysis shows that in 2045, over 75% of the State's transportation fuel expenditures will go to non-fossil alternative fuels like electricity, hydrogen, and low-carbon biofuels, and that Californians will be paying $0.12 per mile traveled, for an overall 42% savings in fuel costs per mile statewide. For the light-duty sector, the savings will be even more pronounced, with costs going from $0.19 per mile to $0.08 per mile by 2045, a reduction of over 50%, as the light-duty sector transitions away from fossil fuels and becomes mostly ZEVs supplied by electricity and hydrogen. This analysis is more complete than the narrowly focused assessment in the SRIA as it integrates both costs and savings for consumers. More importantly, recent data on vehicle fleets and vehicle miles traveled shows that it costs approximately $0.11 less to drive per mile in an electric vehicle versus a gasoline vehicle.

Are there other benefits of the LCFS?

Yes, the LCFS supports investment in efforts to transition away from fossil fuel combustion to achieve the state's air quality and climate targets. To date, the Program has provided approximately $300 million to support public transit, close to a $1 billion for light duty zero emission vehicles, and displaced the fossil diesel with cleaner fuels for over 70% of the demand in the state. The Program has also supported financial assistance for ZEV purchases at the state and local level and equity focused programs administered by the electric utilities. Moving forward the amendments would supercharge investment in clean fuels and infrastructure into the billions and provide opportunities to leverage federal incentives further reducing costs to Californians in the transition away from fossil fuel combustion. The associated health benefits are expected to be a health cost savings of almost $5 billion. There is an additional estimated billions in revenue that would accrue to California businesses from the updated Program. Importantly, electric utilities would be able to continue to invest in programs within their regions to support equity projects such as funding for zero emission drayage trucks and zero emission school buses. All of which would also deliver critical air pollution reductions in frontline communities.

Is the state taking action to protect consumers from retail gasoline price spikes?

Yes, as part of the 2024 Special Session, Governor Newsom and the Legislature to bold action to protect Californians from price spikes which have occurred with more frequency and intensity in recent years. By signing ABx2-1 into law, the California Energy Commission has the authority to set constraints on storage levels for each refiner, each fuel and each blending component, per the bill. The agency will also be able to adjust inventory minimums, as well as establish conditions under which refiners can draw down or rebuild reserves. The recently established Division of Petroleum Market Oversight provided data and analyses to underpin the need for more oversight on supply to ameliorate price spikes and ensure conditions aren't created where more windfall profits flow to the fossil fuel industry.

Will the LCFS reduce energy costs for consumers?

Yes, there are several ways in which the LCFS will reduce energy costs for consumers. The LCFS creates price-mitigating effects by inducing diversification and expansion of fuel supply. For example, electricity, renewable diesel, and ethanol currently provide affordable alternatives to petroleum diesel and gasoline. Just as importantly, the LCFS provides a market for a significantly greater number of clean fuel producers, allowing for greater competition and lower fuel rates when compared to the significantly smaller number of petroleum fuel producers today, thus increasing competition and putting downward pressure on prices.

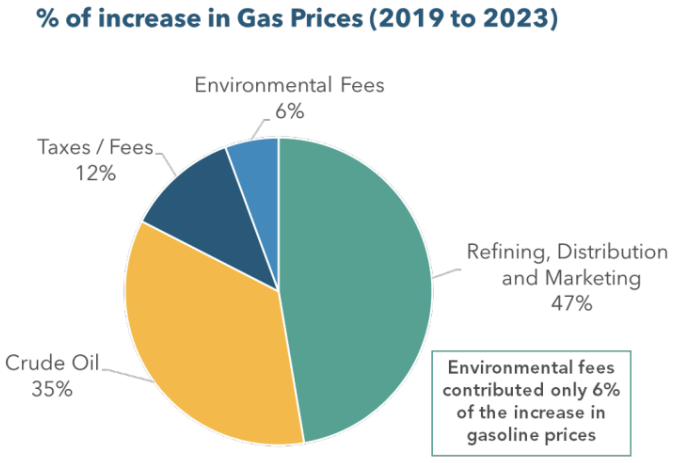
Do we know what cost is being passed through to consumers in retail gas prices due to the Low Carbon Fuel Standard?

Yes, data published by third party commodities markets experts indicates about a $0.10 LCFS cost pass through per gallon of gasoline that is consistent with the self-reported data by the fuel producers under Senate Bill (SB) 1322 that also reflects an LCFS cost pass through of $0.08 to $0.10 per gallon of gasoline. Senate Bill 1322 requires all refiners of gasoline products in the state to provide monthly data about various price and volume information. The California Energy Commission (CEC) must publish aggregated, volume weighted reports of these data, within 45 days of the end of each calendar month. The data also show that there is a price difference between branded and unbranded gasoline. LCFS applies to both equally, indicating other factors are inducing differences in prices even for the same fuel, subject to the same regulation, depending on the way it is marketed to consumers.

Is there an expected impact of the Low Carbon Fuel Standard on retail gas prices?

Yes, all climate action will have impacts to the cost of pollution sources, but the exact cost is unknown due to a variety of factors. For retail gas prices, there is nothing to prohibit fuel producers from passing on any costs for any regulation and what is ultimately passed on to consumers is determined by each company. In examining data for the recent years on retail gasoline prices, over 80% of the increase in prices is due to pricing policies by oil refiners. Federal, State and local taxes and fees account for 12%, and environmental requirements are the smallest fraction (6%) of the total. At the same time the LCFS program has not been updated and credit prices have been on the decline. Importantly, the LCFS program includes a price cap on credit prices to ensure compliance costs do not increase unchecked. But the costs of inaction are also becoming known. The Fifth National Climate

Assessment released in 2023 ranks California among the top five states suffering economic effects from climate-related natural disasters. Climate impacts are happening with more frequency and intensity than expected and will continue to pose health and economic impacts to the state.



House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice-Chair

April 7, 2026
2:00 p.m.
Conference Room 430

Thank you for the opportunity to submit testimony in strong support of SB 2999_SD1_HD2. My name is Cristina Cornejo and I am the Sr. Public Affairs Manager for Neste, the world's leading producer of sustainable aviation fuel and renewable diesel.

A Clean Fuel Standard (CFS) for Hawaii is an essential policy that will enable the state to meet its decarbonization goals, while reducing air and water pollution from the use of fossil fuels in our transportation system. Similar CFS programs have been implemented in California, Oregon, Washington, and Canada. Most recently, New Mexico enacted a CFS in March 2024 that will begin later this year. In addition, there are currently more than 10 additional states considering CFS policies, due to their effectiveness.

SB 2999_SD1_HD2 is NOT a mandate, nor is it a tax credit, but rather it is an incentive program designed to promote the decarbonization of all transportation fuels. CFS policies drive the adoption of lower-carbon transportation technologies, resulting in advanced competition and a diversity of fuel options for consumers. As an example, consumers in California have gone from 2 fuel types (gasoline and diesel) to more than 7 fuel types (gasoline, diesel, renewable diesel, electric, ethanol, biodiesel, hydrogen, and renewable compressed natural gas). This policy also drives substantial new investments in electric vehicle charging and hydrogen infrastructure at no cost to taxpayers.

One crucial element of a CFS is that it is a technology neutral policy that allows consumers to decide what fuels work best for them and their businesses. All transportation fuels can partake in a clean fuels market, and the policy is flexible enough to allow for new technologies that will come online in the future.

Another key component of SB 2999_SD1_HD2 is that it utilizes an independent third-party, science-based evaluation for all transportation fuels. The policy uses the GREET model, which was created by Argonne National Laboratory and is the worldwide standard methodology to calculate the carbon intensity of a given fuel. This model assesses fuel on a well-to-wheel basis and considers the full life cycle of a fuel to determine its carbon intensity (CI) score. This ensures that all fuels are scored on an equal playing field, and the winners are those fuels with the lowest possible carbon intensity score. It incentivizes cleaner fuels while letting technologies compete.

In conclusion, a clean fuel standard is the most effective policy in reducing carbon emissions from the transportation sector by incentivizing the production and availability of lower carbon fuels. The State of Hawaii deserves access to cleaner fuels and protection of its treasured natural resources. SB 2999_SD1_HD2 is a significant piece of the decarbonization puzzle and we at Neste are proud to support this pivotal policy.

Cristina Cornejo, Sr. Public Affairs Manager, Neste

Phone: (361) 701-9922

Email: cristina.cornejo@neste.com

Neste Background

Neste (NESTE, Nasdaq Helsinki) creates solutions for mitigating climate change and accelerating a shift to a circular economy. The company is the world's leading producer of sustainable aviation fuel (SAF) and renewable diesel, enabling its customers to reduce their greenhouse gas emissions. Neste refines waste, residues and other renewable raw materials to high-quality renewable fuels at its refineries located on three continents. The company's annual renewable fuels production capacity will be increased to 6.8 million tons in 2027.

Neste has high standards for sustainability, and the company has consistently been recognized by several leading sustainability indices.

TESTIMONY **ON SENATE BILL NO 2999 SD1, HD2** RELATING TO
A CLEAN FUEL STANDARD
Position: **Support**

To Representative Chris Todd, Chair; Representative Jenna Takenouchi, Vice Chair; and Members of the Committee on Finance:

Simonpietri Enterprises LLC (SEL) **SUPPORTS** the intent to create a Clean Fuels Standard (CFS) for the state of Hawai'i.

SEL is an O'ahu-based small business developing innovative ways to recycle some of Hawai'i's most challenging wastes into renewable fuels and other beneficial recycled-material products for use in Hawai`i. For the last 6 years we have been designing the Aloha Carbon integrated plant in Campbell Industrial Park to divert over 2000 tons per day of construction & demolition (C&D) debris from landfilling to be converted into renewable natural gas starting with a small manufacturing plant – the Aloha Sustainable Materials Recycling and Fertilizer Facility (Aloha SMRFF) – which will serve as the pilot plant for Aloha Carbon. The Aloha SMRFF will divert over 200 tons per day of construction & demolition (C&D) waste from landfilling along with invasive and pest infested biomass to be converted into renewable fuel and other value-added products.

As a company whose technical expertise and innovation are focused in the areas of waste management, energy, fuels and the circular economy, we see a CFS as a valuable tool that can be successfully utilized to reach carbon emission reduction goals. A CFS helps to spark innovation from small businesses like ours while paving the way for investment in and expansion of necessary infrastructure to bring Hawai'i's energy sector up to date. This type of investment and expansion generally also leads to the creation of technical, engineering and construction jobs. In addition to the economic impact a CFS could have, we feel this measure also encourages better management of waste and environmental stewardship which align with our mission as company and we would like to see it advance.

We appreciate the opportunity to testify on this measure, and urge your support for **Senate Bill 2999 SD1, HD2**.

Sincerely,

Marie-Joelle Simonpietri
President

About Simonpietri Enterprises LLC

Simonpietri Enterprises is a Kailua, Hawaii-based woman- and veteran-owned small business with ten employees, focused on technical innovation and first-of-kind project development of emerging clean and renewable technologies. Since founding in 2006, we have helped dozens of small and large industrial companies in Hawaii, the continental U.S., Australia, and Canada improve the environmental and economic sustainability of their operations through technical and business advice in renewable

energy conversion, waste reduction and re-use, and greenhouse gas lifecycle impact reduction. Simonpietri Enterprises' founder and employees have participated in the strategy, planning, design, financing, development, construction, and energy efficiency/greenhouse gas reduction/sustainability renovation for over $400 million in new renewable and first-of-kind sustainable fuel projects over the past 15 years. Since launching the Aloha Carbon waste-to-fuel technical development process in August 2020, Simonpietri Enterprises is now developing renewable fuel production facilities in its own right, starting with the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF) in Kapolei, Hawaii to divert wastes generated in Honolulu from landfilling and transform it to renewable fuel, organic fertilizer, and recycled-material building products.

Par Hawaii

April 7, 2026

TESTIMONY ON SB 2999 SD1 HD2
RELATING TO A CLEAN FUEL STANDARD

House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair

Tuesday, April 7, 2026 at 2:00 p.m.
State Capitol, Conference Room 308

Aloha Chair Todd, Vice Chair Takenouchi, and members of the Committee,

Thank you for this opportunity to submit written testimony offering **comments and amendments** on SB 2999 SD1 HD2, Relating to a Clean Fuel Standard. My name is Eric Wright and I serve as President of Par Hawaii. Par Hawaii is the largest local supplier of fuels, and we are currently commissioning a 60 million gallons per year sustainable aviation fuel and renewable diesel facility. We respectfully request amendments to ensure that a clean fuel standard does not significantly raise fuel prices for Hawaii residents or negatively impact jobs in Hawaii.

Page 6, lines 17-19:

> (1) A cost containment mechanism designed to allow for sufficient compliance flexibility and ensure that gasoline or diesel prices do not increase by [ ] cents per gallon in any year as a result of the clean fuels program; ~~maximum greenhouse gas reductions;~~
>
> **Rationale:** Ensure that the costs of the clean fuel standard do not impose significant costs on Hawaii consumers.

Add provision to page 6 under Section 2. (b):

> (x) A mechanism to ensure that local production of fuels are not disadvantaged relative to imported fuels, including safeguards to account for regional feedstock availability, transportation costs, and market access conditions;
>
> **Rationale:** Ensure that imports from foreign jurisdictions (with lesser environmental, safety and labor standards) do not crowd out local production of renewable fuels and/or negatively impact jobs and the economy in Hawaii.

Thank you for allowing Par Hawaii the opportunity to present these amendments for the Committee's consideration.

RNG COALITION

April 6th, 2026

Senate Finance Committee
Hawai‘i State Legislature

RNG Coalition testimony in Support of SB 2999

Honorable Chair and Members of the Committee,

The RNG COALITION strongly supports SB 2999, which would direct the Hawai‘i Department of Transportation to establish a Clean Fuel Standard (CFS) to reduce lifecycle greenhouse gas emissions from transportation fuels.

The RNG COALITION is the national trade association representing the renewable natural gas (RNG) industry . Our members capture and upgrade methane from organic waste streams, including landfills, wastewater treatment facilities, and agricultural waste into renewable natural gas, which one end use is as a low-carbon transportation fuel.

Transportation is Hawai‘i’s largest source of greenhouse gas emissions, and decarbonizing this sector is essential to meeting the State’s long-term climate commitments. A Clean Fuel Standard is a technology-neutral, market-based policy that reduces emissions by rewarding fuels based on lifecycle carbon intensity. This approach has proven highly effective in other states, including California, Oregon, and Washington.

SB 2999 appropriately incorporates best practices from existing CFS programs by:

- Using the Argonne National Laboratory’s GREET model to measure lifecycle emissions
- Establishing a credit-and-deficit system that rewards environmental performance
- Including cost-containment mechanisms to ensure compliance flexibility

Importantly, a CFS creates new markets for fuels like RNG which is produced from waste streams that are particularly relevant to Hawai‘i, including wastewater, food waste, and landfills. These fuels can be used directly in existing vehicles and infrastructure, providing immediate emissions reductions, especially for heavy-duty and hard-to-electrify transportation sectors.

SB 2999 represents a thoughtful, flexible, and proven framework for reducing transportation emissions while supporting local economic development and energy resilience. For these reasons, the RNG COALITION urges the Committee to support SB 2999.

Respectfully,

1017 L ST. SACRAMENTO
CA 95814

Influencing the Future of Energy

916.588.3033
RNGCOALITION.COM

Yanni Psareas
Manager of State Government Affairs
RNG COALITION
yanni@rngcoalition.com

Growth Energy™
Expanding America's Bioeconomy

April 7, 2026

Honorable Chris Todd
Chair
House Committee on Finance
Hawai'i State Capitol
415 South Beretania St.
Honolulu, HI 96813

RE: Senate Bill 2999 SD1 HD2

Chairman Todd:

We appreciate the opportunity to provide comments on Senate Bill 2999, which will establish a clean transportation fuel standard for the state of Hawai'i. Growth Energy is the world's largest association of biofuel producers, representing 97 U.S. plants that each year produce 9.5 billion gallons of renewable fuel; 128 businesses associated with the production process; and tens of thousands of biofuel supporters around the country. Together, we are working to bring better and more affordable choices at the fuel pump to consumers, improve air quality, and protect the environment for future generations. We remain committed to helping our country diversify our energy portfolio, grow more green energy jobs, decarbonize our nation's energy mix, sustain family farms, and drive down the costs of transportation fuels for consumers.

Growth Energy strongly advocates for the role low carbon biofuels and higher biofuel blends can play in Hawai'i's efforts to reduce the carbon intensity of transportation fuels. We urge members of the House Committee on Finance to consider the ability of bioethanol to help Hawai'i fuel standard's goal of reducing greenhouse gas (GHG) emissions. A primary solution for decarbonizing the liquid transportation fuel supply is the promotion of the additional use of bioethanol.

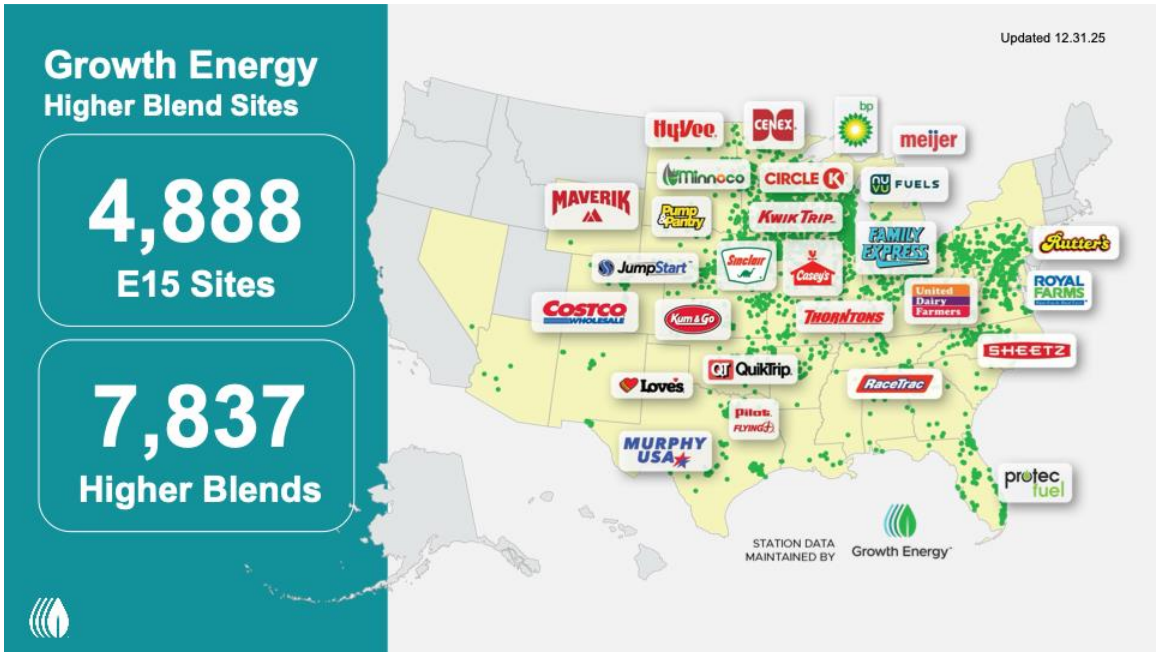
Today, nearly all gasoline in Hawai'i– and across the United States – is blended with 10 percent ethanol. E15, a blend consisting of 15 percent bioethanol, has been approved for use by the U.S. Environmental Protection Agency (EPA) in all passenger vehicles model year 2001 and newer, more than 96 percent of the vehicles on the road today, and is now for sale at more than 3,700 locations in 33 states.

According to recent data from Environmental Health and Engineering, today's bioethanol reduces GHG by nearly 50 percent compared to gasoline and can provide even further GHG

reductions with additional readily available technologies.[1] Ethanol has a proven history of contributing to GHG reductions in an existing low carbon fuel standard (LCFS): according to the Transportation Energy Institute, ethanol is responsible for 31% of GHG reductions in California's LCFS, the largest percentage among fuel sources.[2]

The potential for fuels with higher blends of ethanol to reduce GHGs are further illustrated in a national analysis showing more than 62,000 tons in GHG reduction in Hawai'i alone if E10 gasoline was replaced with E15.[3] This is the GHG reduction equivalent of removing 13,600 vehicles from the state's private vehicle fleet just by using a higher ethanol-blend fuel, without impacting a single Hawai'i driver. These emissions reductions come with meaningful consumer cost-savings. During the summer of 2023, E15 was sold at 15 cents less per gallon where available on average nationwide. In some locations, we saw E15 selling consistently for as much as 60 cents less per gallon than E10.

Currently, there are nearly 4,900 fuel retail locations across 34 states offering E15, with more than 7,800 stores offering higher ethanol blends.



Bioethanol's other environmental benefits are also noteworthy. As has been researched by the University of California, Riverside and the University of Illinois at Chicago, the use of more

[1] https://iopscience.iop.org/article/10.1088/1748-9326/abde08/pdf
[2] https://www.transportationenergy.org/wp-content/uploads/2023/07/Decarbonizing-Combustion-Vehicles_FINAL.pdf
[3] http://www.airimprovement.com/reports/national-e15-analysis-final.pdf

bioethanol and bioethanol-blended fuel reduces harmful particulates and air toxics such as carbon monoxide, and benzene.[4]

Regarding SB 2999, we applaud the inclusion of provisions requiring the use the most recent version of the Greenhouse gases, Regulated Emissions, and Energy use in Technologies (GREET) model developed by the U.S. Department of Energy's Argonne National Laboratory. GREET is the most accurate tool to examine the life-cycle greenhouse gas emissions of all fuels and considers a wide range of carbon reduction processes and technologies that bioethanol production can utilize. It is the gold standard for measuring the emissions-reducing power of farm-based feedstocks and biofuels and incorporates up-to-date science that more accurately scores lifecycle carbon intensity (CI) for corn bioethanol and other renewable fuels.

We also highlight the ability of Sustainable Aviation Fuel and marine fuel to participate in the proposed program as opt-in fuels. With current technologies, farm-based feedstocks–including ethanol and corn oil–are the primary source of clean, renewable energy that can be used to produce volumes large enough to meet the demand. As a result, harnessing the U.S. ethanol industry–which at 17.4 billion gallons per year accounts for over 80% of biofuel production in the U.S.–will be necessary to make sure American farmers benefit from the decarbonization of the aviation and maritime fuel sectors.[5]

Additionally, we applaud the bill's commitment to technology neutrality within the standard. The ability for all fuels to compete without a program improperly favoring one technology over another is critical to meaningful GHG reductions. Along with technology neutrality must come the ability of biofuels to utilize the wide range of on-farm and biorefinery practices that can drive the carbon intensity (CI) for bioethanol to zero and eventually achieve a net-negative CI score. A recent study by the Energy Futures Initiative (EFI) demonstrated the incredible decarbonization potential of bioethanol.[6]

EFI's study analyzed the lifecycle carbon emissions of corn bioethanol and the opportunities at every stage of its production, including corn production. EFI's research showed that "ready to adopt and relatively low-cost measures" currently available will allow bioethanol to "reach net-zero emissions by midcentury." The range of decarbonization measures and their adoptability and CI reduction potential are below.

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[4] University of California Riverside: Comparison of Exhaust Emissions Between E10 CaRFG and Splash Blended E15

[5] https://growthenergy.org/policy-priority/aviation-maritime-fuel/

[6] https://efifoundation.org/foundation-reports/a-strategic-roadmap-for-decarbonizing-ethanol-in-the-united-states/

On-Farm Decarbonization Measures

		CI Reduction Potential	Cost	Feasibility: Widespread Adoption	Feasibility: Readiness for Adoption
Corn Yield Improvement		.7%	< zero	High	Near Term
Climate Smart Ag Practices	No-Till Farming	6%	< zero	High	Near Term
	4R Nitrogen Management	4%	< zero	High	Near Term
	Enhanced Efficiency Fertilizers	4%	< zero	Medium	Near Term
	Cover Crops	45%	$24 to $64/tCO$_2$	Medium	Near Term
Use Low-Carbon Fertilizers	Blue Ammonia-Based Fertilizers	10%	$29 (with 45Q) to $100/tCO$_2$	Medium	Mid Term
	Green Ammonia-Based Fertilizers	10%	$0 (with 45Z) to $526/tCO$_2$	Medium	Mid Term
Use Renewable Diesel in Farm Machinery		<4%	$127 to 139/tCO$_2$	Medium	Near Term
Use Renewable Diesel for Corn Transport		<2%	$127 to 139/tCO$_2$	Medium	Near Term

Growth Energy™ 2

Biorefinery Decarbonization Measures

		CI Reduction Potential	Cost	Feasibility: Widespread Adoption	Feasibility: Readiness for Adoption
Ethanol Yield Improvement		6%	< zero	High	Near Term
Fermentation CCUS		57%	-$48 (with 45Q) to $37/ton CO$_2$	High	Near Term
Carbon-Free Electricity Use		6%	-$49 (PPAs) to $180/ton CO$_2$ (RECs)	High	Near Term
Use Low-Carbon Fertilizers	Fuel Switching to Hydrogen	37%	$124 (with 45V) to $412/ton CO$_2$	Medium	Long Term
	Fuel Switching to RNG	32-160%	$76 to $220/tCO$_2$	Medium	Mid Term
	Biomass CHP	37%	< zero	Medium	Mid Term
	Hydrogen CHP	37%	$71 (with 45V) to $376/tCO$_2$	Medium	Long Term
	RNG CHP	32-160%	$57 to 201/tCO$_2$	Medium	Mid Term
	CCUS - Thermal Energy Generation	37%	$21 (with 45Q) to 106/tCO$_2$	Medium	Mid Term
Renewable Diesel Use in Ethanol Delivery		<2%	$127 to 139/tCO$_2$	Medium	Near Term

Growth Energy™ 3

Among these measures are carbon capture, utilization and storage (CCUS), replacing process heat at the biorefinery with low-carbon process fuels, and planting cover crops on corn farms. EFI's data indicates that these three practices alone can account for up to 140gCO2e/MJ reduction in CI for corn bioethanol. With the average CI for bioethanol being 53.6gCO2e/MJ, implementation of those three practices could result in a CI score of -86.4gCO2e/MJ.

The consideration of biofuels, particularly bioethanol, is a crucial component to a clean fuel standard, one which can have an immediate impact on carbon emissions reductions as future decarbonization technologies are developed. We hope the committee recognizes the role bioethanol can play in reducing GHGs, providing a more cost-effective option for consumers, and help Hawai'i meet its ambitious decarbonization goals. Thank you and we look forward to any questions you may have.

Sincerely

Chris Bliley
Senior Vice President of Regulatory Affairs
Growth Energy

April 7, 2026

House Committee on Finance
The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice Chair

Re: SB 2999 – Relating to a Clean Fuel Standard

Dear Chair Todd, Vice-Chair Takenouchi, and members of the Committees:

The undersigned electric vehicle (EV) manufacturers and EV charging providers submit testimony in support of SB 2999 and respectfully request targeted amendments to ensure a Clean Fuel Standard in Hawai'i fully enables zero-tailpipe-emission transportation, including electricity used as a transportation fuel.

A well-designed Clean Fuel Standard can reduce lifecycle greenhouse gas emissions in Hawaii's transportation sector while driving investment, improving energy security, and delivering public health benefits. To achieve these goals in a technology-neutral, market-based manner, the program should allow all eligible pathways, **including electricity and EV charging**, to participate on clear and equal terms.

Why these amendments are needed

1) Ensure electricity and EV charging can participate as credit-generating pathways.

SB 2999 appropriately uses lifecycle carbon intensity and credit/deficit accounting to drive emissions reductions. However, absent explicit statutory clarity, electricity and EV charging can become administratively uncertain or treated as optional. This would slow private investment and delay the buildout of convenient, reliable charging.

2) Support deployment of higher-powered public fast charging through capacity crediting.

Public fast charging requires substantial up-front capital, often before utilization ramps. Capacity-based crediting for public fast charging is a practical mechanism to accelerate deployment of the higher-powered infrastructure needed for broad EV adoption, while still aligning incentives with emissions reduction outcomes.

3) Ensure utility credit value delivers visible public benefit through reinvestment in transportation electrification.

Where electric utilities receive credit revenue associated with EV charging, directing net proceeds into clearly defined transportation electrification projects helps ensure that program value supports infrastructure deployment, consumer adoption, and equitable access statewide.

Requested amendments

We respectfully request the Committee to adopt the amendments attached as Attachment A, including: (i) clarifying electricity as an alternative fuel, (ii) defining "electric vehicle charging provider," (iii) expressly enabling EV charging providers and automotive manufacturers to participate in crediting mechanisms, (iv) authorizing capacity-based crediting for public fast charging, (v) providing an automatic acceleration mechanism to protect against credit oversupply, and (vi) requiring reinvestment of utility credit revenue attributable to EV charging into transportation electrification projects.

Conclusion

SB 2999 is a timely and important step toward reducing transportation emissions in Hawaii. With the amendments in Attachment A, the Clean Fuel Standard will more effectively accelerate EV adoption, unlock private investment in charging, and ensure program benefits flow to residents and communities throughout Hawai'i.

For these reasons, the undersigned respectfully requests a favorable report on SB 2999 with the amendments in Attachment A.

Respectfully,

Chris Bresee
Director, State Government Affairs
NEMA

Josh Cohen
Head of Policy
SWTCH

Michael Daft
Public Policy Manager
Electrify America

Emily Kelly
Director, Public Policy
ChargePoint

Kevin George Miller
Managing Policy Advisor
Tesla

Abigail Ramsden
Senior State Policy Manager
Rivian

Attachment A: Proposed Amendments to SB 2999

Section 2 (b) (2) at page 6 line 20 through page 7 line 4, insert the following:

(2) Mechanisms whereby an electric utility, an electric vehicle charging provider, automotive manufacturer, or an energy producer can generate credits for electricity ~~for~~ or gaseous fuels used in transportation; provided that the department of transportation shall develop these mechanisms based on best practices in use in other states and in consultation with industry stakeholders;

Section 2(b) after page 8 line 20, insert the following:

(12) An automatic acceleration mechanism designed to tighten carbon intensity targets to mitigate the risk of credit oversupply.

(13) Mechanisms for electric vehicle charging providers to calculate and generate credits based on the capacity of public fast charging infrastructure to charge electric vehicles, consistent with mechanisms already approved in other states like California and Washington.

(14) Mechanisms that allow electric vehicle manufacturers to earn credits attributable to the charging of electric vehicles at residences.

(15) Mechanisms that allow entities to match EV charging activity with renewable electricity to achieve more substantial carbon intensity reductions.

(16) Requirement that electric utilities invest any credit revenue attributable to electric vehicle charging, less reasonable administrative expenses, in clearly defined transportation electrification projects that may include rebates for the purchase of electric vehicles or electric vehicle supply equipment.

Section 2 (f) at page 10 line 7, insert the following:

"Alternative fuel" means any fuel that is not fossil fuel-based and is used for transportation purposes, including electricity.

Section 2(f) at page 10 after line 20, insert the following definition:

“Electric vehicle charging provider” means a person or entity that sells, supplies, or dispenses electricity for use as a transportation fuel for electric vehicles.

HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026

COMMITTEE ON FINANCE
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair

HEARING

DATE: April 7, 2026
TIME: 2:00 PM
PLACE: VIA VIDEOCONFERENCE
Conference Room 308

Public commentor: Ted Metrose - Opposed - Amendments Recommended

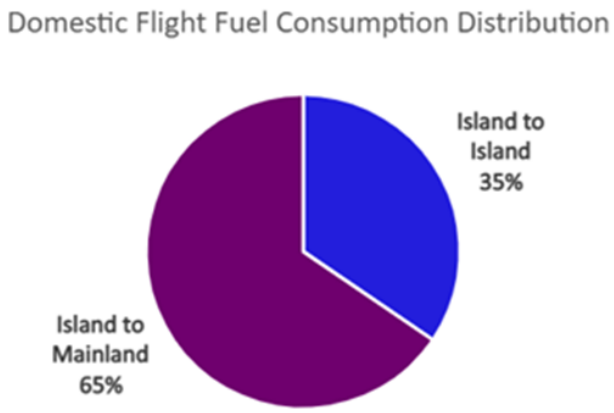
SD2999 – HD2 Empowers and requires HDOT to establish a clean fuel standard (CFS) for transportation fuels and sets carbon intensity targets to reduce GHG emissions within the State. Land based transportation fuels and marine fuels consumed within the State would be explicitly subject to the CFS. Interisland aviation fuel and fuel consumed during interstate travel by air or by sea would be allowed to earn marketable clean fuel credits, through voluntary participation in the CFS program but (but in contrast to land-based transportation fuels) would not be obligated by HDOT's clean fuel standard.

Comments / Opposed pending Amendment:

To advance the State's decarbonization goals for the transportation sector, SB2999 HD2 (like HB1986 HD2) directs HDOT to define a clean fuel standard (CFS) and establishes a regulatory framework for a clean fuel credit market. The CFS approach is conceptually sound, however the proposed bill has some structural flaws, and largely misses its mark.

The fundamental flaw with SB2999-HD2 is that aviation fuel (unlike marine fuel) consumed during travel between Hawaiian Islands is not explicitly subject to the CFS. The bill inexplicably provides an exemption for aviation fuel even though inter-island aviation fuel is fully within Hawaii's authority to regulate and the State is essentially obligated by HRS 225P-8 to reduce/eliminate GHG emissions from air travel within the State. Even though the CFS approach has been widely touted as one of the most cost-effective means of reducing GHG emissions (without public subsidies), this bill inappropriately exempts aviation fuels consumed in flights between islands, which according to the HDOT, represents about 35% of the approximate 600 million gallons per year of domestic aviation fuel uplifted in Hawaii.

Figure 2-4. Domestic Flight Fuel Consumption Distribution



Inter-island aviation transportation is precisely the sector which could benefit the most from the innovation and cost-savings generated by a mandatory CFS program.

Advocates, including HDOT contend that GHG emissions from inter-island air travel, (as well interstate and international) travel can be reduced (and ultimately eliminated) by allowing the airlines and their fuel suppliers to participate in the CFS program on a voluntary basis. The bill proposes to use marketable clean fuel credits as a financial inducement to evoke participation. The airlines and/or their fuel suppliers would be able to earn marketable credits for clean fuels, but they would not be obligated to use clean fuels or electrification as a replacement for fossil fuels. Besides giving interisland air travel a free pass, SB2999-HD2 contains provisions (specifically financial incentives) that could expose the State to federal preemption risk, expand HDOT's authority beyond what is authorized and required by HRS §225P-8, and will likely create implementation challenges that will be difficult to correct, with subsequent legislation.

By exempting inter-island aviation fuel from the CFS and by relying upon voluntary participation, the bill places the State and taxpayers at risk of bearing substantial costs—potentially hundreds of millions of dollars per year - to decarbonize inter-island air travel. Under the entirely voluntary structure that has been proposed (by and) for the aviation sector, the State would effectively be responsible for subsidizing or paying for the GHG emissions reductions that airlines and their suppliers decline to undertake without additional financial incentives. As clearly conveyed in their testimony on February 17th, 2026, principally to justify the airline industry's demand for robust tax credits for sustainable aviation fuel (SAF), the airlines give their full support to SB2999, providing of course that their participation in the CFS program is exempted and strictly voluntary,

Because Hawaii has limited authority to regulate, control or induce specific fuels on interstate travel, the State should mandate participation in the CFS for inter-island travel - not make credits available and participation in the CFS voluntary for all air travel. Allowing credits to be earned on interstate or international flights for the use of low-carbon fuels such as SAF would be extension of a financial incentive, that is violation of the Air Deregulation Act.

Premature and legally binding Carbon Intensity (CI) Targets established by SB2999

Even in advance of establishing a baseline or completing the impact analysis this bill needlessly includes potentially legally binding carbon intensity (CI) targets for clean fuels for 2035 and 2045 which are poorly defined and arguably contradictory to existing decarbonization statutes. The CI targets should be developed in parallel with or after the clean fuel standards that are to be developed over the next two years and compared to the alternative of in-state mandates for clean fuels and electrification. Certainly, HDOT can as part of the CFS program proposal suggest targets, any legislative action to firmly establish CI targets (and make a market), however that should be after the scope, impact analysis and comparison has been completed, just as previously recommended in HDOT's Energy Security and Waste Reduction Plan. The initial CFS study findings have only been summarized by the HDOT (as part of their testimony) and not released to the public for comments. Despite optimistic representations from HDOT, there are no explicit projections for either the CI or the GHG reductions that would be achieved in the aviation transportation sector under the CFS approach. The inability to make projections suggest voluntary participation will not be effective.

Proposed Amendments

Attached is a targeted amendment package that identifies these issues and provides clean, committee-ready language for SD2999-HD2. I request and hope that the legislature will endorse many if not all the proposed amendments.

The rationale provided for each of the amendments should make them readily acceptable. However, in the alternative if for some reason the TRN committee were to find them unacceptable, simply defer SD2999 and give HDOT more time, to consult with the AG and other influencers to get the CFS bill right for next year. Notably deferring this version of the CFS bill would not preclude HDOT from working on the CFS proposal, because neither SD2999 or HB1986 currently provide any additional funding for HDOT to conduct the study or administer the CFS program, even though supplemental funding is likely to be needed and requested in the future.

Again, thank you for the opportunity to comment on the proposed clean fuel standard.

TARGETED AMENDMENT PACKAGE FOR SB2999 HD2 (TO BECOME HD3)

PREFATORY DESCRIPTION & JUSTIFICATION

This targeted amendment package ensures that Hawai‘i’s Clean Fuel Standard (CFS) is implemented strictly within the scope of the State’s regulatory authority while preventing unintended consequences such as federal preemption, market distortion, or double-subsidization. The amendments clarify that inter-island aviation, and marine fuels fall within the State’s jurisdiction under HRS §225P-8 and are therefore subject to the CFS. They also make explicit that fuels used in interstate or international transportation - whether aviation or marine - cannot generate CFS credits under any circumstance, including voluntary participation.

The package also addresses a structural flaw introduced in HB1986 HD2: the premature insertion of carbon-intensity (CI) targets. Although the bill purports to advance the goals of HRS §§225P-5, 225P-7, and 225P-8 “as quickly as possible,” the CI targets are expressed as reductions from 2019 statewide fuel carbon intensity without specifying which fuels are included. This ambiguity risks being misinterpreted as legislative authorization for HDOT to expand the CFS beyond the State’s jurisdiction, particularly into interstate aviation and marine fuels.

HDOT’s own Energy Security Plan outlines a logical sequence: first clarify the scope of the CFS, then evaluate program impacts, and only then develop appropriate CI targets.

HB1986 HD2 reverses this sequence by inserting CI targets before HDOT has completed the foundational work needed to determine which fuels are subject to the CFS and how the program will operate. This premature insertion risks creating statutory confusion, weakening the State’s zero-emissions mandate under HRS §225P-8, and enabling HDOT to use CI targets as a justification for jurisdictional overreach

To promote fiscal responsibility and prevent double-dipping, the amendments prohibit any fuel from receiving both a state tax credit and a CFS credit for the same unit of fuel. The Renewable Fuels Production Tax Credit (RFPTC) is phased out three years after CFS rules are adopted, aligning long-term incentives with the CFS framework and ensuring a coherent statewide policy. The amendments further clarify that only electricity supplied for transportation end uses may participate in the CFS, and that fuels burned by regulated electric utilities to generate electricity are not eligible for CFS credits.

KEY AMENDMENT OBJECTIVES

- Encourage and ensure the CFS (and resulting electrification) applies only to transportation modes within the State's jurisdiction under HRS §225P-8
- Prevent risk of federal preemption by prohibiting CFS credits for interstate or international aviation and marine fuel
- Require inter-island aviation and marine fuel to participate in the CFS
- Prevent double-subsidization by prohibiting fuels from receiving both State tax credits and CFS credits
- Phase out the Renewable Fuels Production Tax Credit three years after CFS rules are adopted
- Clarify that only electricity supplied for transportation end uses may generate CFS credits
- Prevent utilities from generating CFS credits for fuels they are already required to use under the RPS
- Remove premature carbon-intensity targets until HDOT completes scope clarification and program evaluation, preventing statutory conflict and jurisdictional overreach

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DESCRIPTION AND RATIONALE FOR SPECIFIC AMENDMENTS

SECTION 1 — Clarify the Existing Exemption Clause

Current bill text:

"Exemptions for diesel, gasoline, or other fuels used by aircraft, railroad locomotives, military vehicles, and interstate waterborne vessels."

Proposed amendment:

Clarifies that the exemption applies only to interstate or international aviation and marine operations, consistent with federal jurisdiction.

Rationale:

This preserves the bill's structure while ensuring that inter-island aviation and marine fuel remain subject to the CFS, consistent with HRS §225P-8. Clarifying the scope of the exemption also ensures that clean, low-carbon fuels are used within the State where the Legislature has clear authority to regulate.

SECTION 2 — Require CFS Coverage for Inter-Island Aviation & Marine Fuel

Proposed amendment:

"(9)(A) Aviation fuel and marine fuel used exclusively for inter-island transportation shall not be exempt under paragraph (9) and shall be subject to the clean fuel standard, consistent with the State's authority under section 225P-8, Hawaii Revised Statutes."

Rationale:

This amendment ensures that the CFS applies to the transportation modes the Legislature is authorized to regulate. HDOT's Energy Security Plan identifies inter-island aviation fuel as approximately 35% of domestic jet fuel uplifted in Hawai'i and identifies the CFS as a key tool for reducing emissions from this sector. (See excerpt from HDOT's plan at the end.) Applying the CFS to inter-island aviation and marine fuel will align the program with the State's statutory mandate and treats inter-island transportation in a manner which is consist with land-based transportation fuels.

SECTION 3 — Close the Voluntary Participation Loophole

Proposed amendment:

"No credits, deficits, carbon-intensity adjustments, or other incentives may be generated, awarded, or applied to aviation fuel or marine fuel used for interstate or international transportation, whether mandatory or voluntary."

Rationale:

This prevents HDOT from using voluntary participation to indirectly regulate interstate or international transportation — a core federal preemption risk. Case law is clear that financial inducements affecting interstate aviation or marine operations may be treated as regulatory burdens. Prohibiting CFS credits for interstate or international fuel ensures the program remains legally defensible, increases the availability of clean fuels for in-state use, and avoids creating incentives that the State cannot lawfully impose. This also corrects misinterpretations in HDOT's Energy Security Plan regarding the scope of the Navahine settlement, which does not require the State to regulate emissions outside its jurisdiction.

SECTION 4 — Clarify Legislative Intent

Proposed amendment:

"The legislature finds that its authority under section 225P-8, Hawaii Revised Statutes, extends only to ground transportation and sea and air inter-island transportation. Interstate and international aviation and marine operations fall under exclusive federal jurisdiction. The clean fuel standard established under this Act is therefore intended to apply only to fuels used in transportation modes within the State's regulatory authority."

Rationale:

This findings clause provides clear legislative direction, strengthens the legal foundation of the bill, and ensures that HDOT implements the CFS within the State's jurisdiction. Explicit legislative intent reduces preemption risk and guides rulemaking.

SECTION 5 — Prevent Double-Dipping of State Subsidies and CFS Credits

Proposed amendment:

"No alternative fuel may generate credits under the clean fuel standard if the production of that fuel received any State tax credit, rebate, production incentive, or other State-funded financial support. The department shall adopt rules to verify that fuels generating credits under the clean fuel standard have not received State tax incentives for the same unit of fuel."

Rationale:

This prevents double-subsidization, where the same gallon of fuel receives both a State tax credit and a CFS credit. Double-dipping undermines the purpose of the CFS, distorts the market, and increases fiscal exposure. This amendment ensures that the CFS rewards performance rather than stacking subsidies and helps maintain the program's credibility and fiscal neutrality.

SECTION 6 — Phase Out the Renewable Fuels Production Tax Credit (RFPTC)

Proposed amendment:

Repeals the RFPTC three years after CFS rules are adopted.

Rationale:

A three-year phase-out provides producers time to adjust while aligning long-term State incentives with the CFS. This avoids long-term subsidy stacking, reduces fiscal exposure, and ensures that the CFS becomes the State's primary mechanism for rewarding low-carbon fuel production.

SECTION 7 — Prohibit Utility Fuel Credits While Preserving Electrification

Rationale:

Utilities are already required to use renewable fuels under the Renewable Portfolio Standard and related mandates. Allowing those same fuels to generate CFS credits would create windfall credits for actions utilities are already obligated to take. This amendment:

- Prevents double counting and market distortion
- Keeps the CFS focused on transportation decarbonization
- Preserves full eligibility for electricity used in transportation
- Requires no new reporting burdens, as utilities already report fuel use to the PUC

SECTION 8 - Defer Setting Carbon-Intensity Targets Until HDOT Completes Baseline Assessment and Program Effectiveness Evaluation

Strike the poorly defined carbon-intensity targets in Section 2(b)(1), HB1986 HD2, and direct HDOT to develop any future CI targets only after the department has fully evaluated the revised scope of the Clean Fuel Standard (CFS) and assessed the impacts of implementation.

Rationale:

The carbon-intensity (CI) targets inserted into HB1986 HD2 are premature, ambiguous, and risk being misinterpreted as legislative authorization for HDOT to expand the CFS beyond the State's jurisdiction. Although the bill purports to advance the goals of HRS §§225P-5, 225P-7, and 225P-8 "as quickly as possible," the CI targets are expressed as reductions from a 2019 statewide fuel carbon intensity baseline without specifying which fuels are included. This ambiguity allows HDOT to argue that the Legislature intended the CFS to encompass all transportation fuels consumed in Hawai‘i, including interstate and international aviation and marine fuels that fall under exclusive federal authority.

HDOT's own Energy Security Plan outlines a logical sequence: first clarify the scope of the CFS, then evaluate program impacts, and only then develop appropriate CI targets.

HB1986 HD2 reverses this sequence by inserting CI targets before HDOT has completed the foundational work needed to determine CI baselines and projections of how the program will operate. This premature insertion risks creating statutory confusion, weakening the State's zero-emissions mandate under HRS §225P-8, and enabling HDOT to use CI targets as a justification for jurisdictional overreach.

Deferring CI targets until after HDOT completes its scope clarification and program evaluation ensures that any future targets are:

- aligned with the State's actual regulatory authority,
- consistent with HRS §225P-8's zero-emissions requirement,
- based on accurate fuel-use data,
- will not create an unreasonable legislative mandate and become a legal liability,
- and developed through a transparent rulemaking process.

For these reasons, the CI targets should be removed from SD2999D1 and revisited only after HDOT has completed the necessary groundwork.

PROPOSED STATUTORY AMENDMENTS

(All new statutory material is underscored; no material is deleted unless bracketed and stricken.)

SECTION 1.

Section 2(b)(1), HB1986 HD2, is amended to read as follows:

"(1) A schedule to phase in the implementation of the clean fuel standard for alternative fuels in manner that reduces the average carbon intensity at a rate [~~to enable the State to achieve the targets in sections 225P-5, 225P-7, and 225P-8, Hawaii Revised Statutes as quickly as possible, but beginning with targets no less than ten per cent below 2019 levels by 2035 and no less than fifty per cent below 2019 levels by 2045, including the establishment of annual carbon intensity standards for alternative fuels~~] which is consistent with the State's charge under section 225P-8, Hawaii Revised Statutes, and based on the department's evaluation of program scope, fuel-use data, and implementation impacts;"

Section 2(b)(2), HB1986 HD2, is amended to read as follows:

(2) An implementation date for the clean fuel standard for diesel, [~~and~~] gasoline, and aviation and marine fuels sold and used exclusively for inter-island transportation, beginning January 1, 2029[.] ; provided that this implementation date shall apply only to fuels within the State's regulatory authority under section 225P-8, Hawaii Revised Statutes.

SECTION 2.

Section 2(a)(9), HB1986 HD2, is amended to read as follows:

(9) Exemptions for diesel, gasoline, or other fuels used by aircraft engaged in interstate or international flights, railroad locomotives, military vehicles, and interstate or international waterborne vessels;

SECTION 3.

Section 2(a), HB1986 HD2, is amended by adding four new paragraphs to follow paragraph (9) to read as follows:

(9)(A) Aviation fuel and marine fuel sold or delivered for use exclusively for inter-island transportation shall not be exempt under paragraph (9) and shall be subject to the clean fuel standard, consistent with the State's authority under section 225P-8, Hawaii Revised Statutes.

(9)(B) No credits, deficits, carbon-intensity adjustments, or other incentives may be generated, awarded, or applied to aviation fuel or marine fuel used for interstate or international transportation, whether mandatory or voluntary.

(9)(C) The clean fuel standard shall not create, directly or indirectly, any financial inducement, credit mechanism, deficit obligation, or carbon-intensity requirement that affects the fuel choices, prices, routes, or services of interstate or international air carriers or marine carriers.

(9)(D) For purposes of paragraphs (9) through (9)(C), "inter-island" means transportation occurring wholly between points within the State, and "interstate or international" means transportation involving any point outside the State.

SECTION 4.

Section 2(b)(3), HB1986 HD2, is amended to read as follows:

(3) Mechanisms whereby exempt end-uses, such as aviation, marine, rail, and military, can opt in to the clean fuel standard to generate credits when using alternative fuel[.]; *provided that no credits may be generated for fuels used in interstate or international transportation.*"

SECTION 5.

Section 1, HB1986 HD2, is amended by adding a new paragraph at the end to read as follows:

The legislature further finds that its authority under section 225P-8, Hawaii Revised Statutes, extends to ground transportation and sea and air transportation wholly within the State. Interstate and international aviation and marine operations fall under exclusive federal jurisdiction. The clean fuel standards established under this Act is therefore intended to apply only to fuels used in transportation modes within the State's regulatory authority.

SECTION 6.

Section 2(a), HB1986 HD2, is amended by adding a new paragraph to read as follows:

(12) No credit may be generated under the clean fuel standard for any alternative fuel for which the producer or supplier has received a state tax credit, rebate, or other State-funded financial incentive for the production or sale of that same fuel. The department shall adopt rules to ensure that fuels receiving State tax incentives are not eligible to generate credits under the clean fuel standard.

SECTION 7.

Section 235-110.31, Hawaii Revised Statutes, is amended by adding a new subsection to read as follows:

(g) Notwithstanding any law to the contrary, the credit established under this section shall be repealed on June 30 of the third calendar year following the adoption of rules establishing a clean fuel standard pursuant to Section 2 of this Act. No taxpayer may claim the credit for any fuel produced after that date.

SECTION 8.

No fuel used for the generation of electricity by a regulated electric utility shall be eligible to generate credits under the clean fuel standard. Only electricity supplied for transportation end uses may generate credits under the clean fuel standard.

SECTION 9.

The department of transportation shall revise any draft rules, guidance documents, or program designs to conform to the amendments made by this Act.

April 6, 2026

Subject Bill: SB2999-HD2–– Clean Fuel Standard for Transportation Fuel

Chair Todd, Vice Chair Takenouchi, and members of House Committee on Finance (FIN)

Thank you for the opportunity to comment on SB2999-HD2, which according to the bill's introductory language is intended *"to require the department of transportation to adopt rules by January 1, 2028, establishing a clean fuel standard for alternative fuels in the State."*

Despite the clearly stated objective and legal authority to do so, the bill fails to mandate the use of alternative (low carbon) fuels or electrification for the aviation sector within the State. The airlines have submitted testimony strongly in support of the CFS but falsely assert and likely represented to HDOT as well that no aviation fuel should not be bound to the CFS because it would violate federal regulations. However, the federal regulations and related prohibitions apply to interstate air travel – not interisland travel. In-state transportation is the State's top priority as clearly set forth by HRS 225P-8 and yet the airlines (with these bills and self-serving testimony) insist that legislators must ignore the best tool (administrative measure) for addressing GHG emissions from inter-island travel. In contrast to the CFS, tax credits merely and inappropriately shift the cost burden of using SAF from travelers and tourist to taxpayers, though a massive draw on taxpayer funds.

Instead of mandates, the bill and its advocates contend that the airlines and/or their fuel suppliers will produce and use low carbon fuels and other means of propulsion, during inter-island and interstate air travel by allowing (not mandating) participation in the CFS program on a voluntary basis. Moreover, advocates of the current bill contend that even without mandates the airlines and fuel suppliers would be incentivized to participate in the CFS program voluntarily because they would be entitled and allowed to earn marketable clean fuel credits. However, unlike most other transportation fuels consumed within the State, HDOT did not provide an estimation in the reduction in the amount of fossil fuel or the cost impact on airline, because no mandate is proposed for interstate aviation fuel and there is too much uncertainty to make any realistic projections.

Hawaiian and Alaska Airlines correctly provided testimony which cautioned that:

> *"Aviation fuel is governed by a comprehensive federal regulatory framework addressing aircraft operations, safety, and fuel standards."*

However, in a deliberate effort to avoid becoming obligated to a CFS, the airlines overstate the federal preemption concern and materially misrepresents it by stating that:

> *"Any state-level mandate directly obligating jet fuel under a clean fuel standard would raise significant federal preemption concerns. Maintaining aviation's exempt status is therefore essential to ensure the program remains legally defensible and avoids unintended conflicts with federal law."*

Hawaiian and Alaska Airlines which operate in California, know that states have legal authority to mandate a CFS on intrastate/inter-island travel, but nonetheless through testimony (like that above) attempt to convinced HDOT and persuade the legislature, that imposition of CFS is not allowed (legally) and would not be effective, by misrepresenting the amount of inter-island jet fuel, as 10%.

The airline's testimony/ assertion much like the premise for the proposed CFS bill is not actually true because the State can (and should) impose a CFS mandate on aviation fuel consumed during interisland air travel. According to HDOT the amount of aviation fuel consumed entirely within the State represents 35% of the domestic commercial fuel of the approximate 600 million gallons of domestic aviation fuel uplifted in Hawaii, and the prime focus of HRS 225P-8. The airlines assert that a mandatory CFS on intrastate aviation fuel in California would be ineffective because it only represents only 10%, but Hawaii intrastate fuel consumption is 3.5x times higher on a relative basis (despite the airlines representation to the contrary).

In prior testimony Alaska and Hawaiian Airlines *"emphasize that a Clean Fuel Standard alone will not be sufficient to incentivize meaningful volumes of SAF in Hawai'i*" but that assessment is only because SB2999 provides an unnecessary exemption for interstate aviation fuel undercutting cut its utility. The airlines and their fuel suppliers have been advocating for tax credits for SAF ranging from $1 - 2.56/gal. In lieu of a $1.50/gal tax credits, if the CFS was made mandatory for interstate fuel just like interstate marine fuel, the State would not have to draw on public reserves and spend $300 million per year on SAF credits for 210 million gallons inter-island aviation fuel.

Because the airlines and HDOT are inappropriately (and somewhat covertly) trying to extend the CFS on a voluntary basis beyond intrastate to interstate and international aviation fuel, this bill over-reaches the State's authority and undermines the State's objectives (as specifically defined by HRS 225P-8). As drafted, the proposed statute is open to federal preemption challenge by the DOJ and aggrieved parties.

The following documents (legal analysis compiled by MS Copilot) are attached.

1. CFS mandate allowed on Inter-island aviation fuel -exemption not needed
2. Federal Preemption Analysis for Interstate and international aviation fuel
3. Comparative Legal Analysis Table: Interstate vs Interisland Aviation Fuel

The bottom-line implications for the proposed CFS are summarized below.

BOTTOM LINE: Interstate vs Inter-Island Aviation Fuel CFS

Interstate & International Aviation Fuel

❌ **State CFS credits or CI-based incentives are prohibited.** Federal law preempts any state action affecting fuel choice, price, routes, emissions, or foreign carriers.

Inter-Island Aviation Fuel

✅ **State CFS credits and CI-based regulation are fully allowed.** Intrastate aviation falls outside ADA, FAA fuel regulation, CAA §209, international treaties, and Dormant Commerce Clause constraints.

Practical Implication for Hawai'i's CFS

A legally defensible CFS must:

- Exclude interstate and international aviation fuel
- Include inter-island aviation fuel if the Legislature chooses
- Define "inter-island" as transportation wholly between points within the State

Inter-Island Aviation Fuel and State CFS Authority – Legal Analysis

Unlike interstate or international aviation fuel (which is categorically off-limits), inter-island aviation fuel is fully within Hawai‘i’s regulatory authority, and a Clean Fuel Standard (CFS) can lawfully apply to it.

Below is a comprehensive, citation-supported legal analysis explaining why Hawai‘i may regulate inter-island aviation fuel under a CFS, and why the federal prohibitions that block interstate/international aviation regulation do not apply.

SUMMARY

Hawai‘i may apply a Clean Fuel Standard (CFS) to inter-island aviation fuel because federal preemption statutes — including the Airline Deregulation Act, the Federal Aviation Act, the Clean Air Act, and international aviation treaties — apply only to interstate and international aviation. Transportation that occurs wholly within a single state is considered intrastate commerce, which states retain broad authority to regulate, including fuel standards and economic incentives.

COMPREHENSIVE LEGAL ANALYSIS

1. Airline Deregulation Act (ADA) — Why It Does Not Apply to Inter-Island Aviation

The ADA preempts state laws “related to a price, route, or service of an air carrier.” (49 U.S.C. § 41713(b)(1))

But the ADA applies only to air carriers providing interstate air transportation.

Key statutory definition
49 U.S.C. § 40102(a)(25):
“Interstate air transportation” means the transportation of passengers or property by aircraft between a place in a State and a place in another State…”

Inter-island flights do not meet this definition.

Intrastate air transportation is explicitly outside ADA preemption.

Congress left intrastate aviation to the states unless the FAA has occupied the field (it has not for fuel carbon intensity).

Case law support:
- Morales and Rowe apply only to interstate carriers.
- Courts consistently hold that intrastate carriers (e.g., air taxis, local commuter airlines) are not covered by ADA preemption.

Conclusion:
A Hawai‘i CFS applied to inter-island aviation fuel is not preempted by the ADA because the flights are intrastate, not interstate.

2. Federal Aviation Act — Why It Does Not Preempt State Fuel Standards for Intrastate Aviation

The FAA Act gives the federal government exclusive authority over airspace, aviation safety, and aircraft certification.

But fuel carbon intensity is not an aviation safety standard.

Key distinction:
- FAA regulates fuel safety (e.g., flash point, composition).
- States may regulate fuel carbon intensity, fuel taxation, and fuel incentives for intrastate operations.

Case law:
Courts have repeatedly held that economic or environmental regulations affecting intrastate aviation are not preempted unless they intrude into safety.

A CFS credit is not a safety regulation.

Conclusion:
A Hawai‘i CFS regulating carbon intensity of inter-island aviation fuel does not intrude into FAA’s exclusive domain.

3. Clean Air Act (CAA) § 209 — Why It Does Not Apply to Intrastate Aviation Fuel

CAA § 209(a) preempts state standards “relating to the control of emissions from aircraft engines.”

But this applies only to aircraft engines subject to federal emission standards, which are:
- interstate aircraft, and
- aircraft engaged in international operations.

Key point:
The EPA has never set emission standards for intrastate-only aircraft (e.g., small commuter turboprops).

Therefore:
States may regulate fuel carbon intensity for intrastate aviation because:
- It is not an engine emission standard
- It applies only to intrastate operations
- It does not conflict with any federal standard

Conclusion:
CAA § 209 does not preempt a Hawai‘i CFS applied to inter-island aviation fuel.

4. International Aviation Treaties — Why They Do Not Apply to Inter-Island Flights

The Chicago Convention and ICAO standards apply only to:
- international flights, and
- aircraft engaged in international civil aviation.

Inter-island flights:
- do not cross international borders
- do not implicate foreign carriers
- do not trigger treaty obligations

Conclusion:
International aviation treaties impose no restrictions on Hawai‘i’s regulation of inter-island aviation fuel.

5. Dormant Commerce Clause — Why It Does Not Bar Regulation of Inter-Island Aviation Fuel

The Dormant Commerce Clause prohibits states from:
- burdening interstate commerce, or
- regulating foreign commerce.

But inter-island aviation is purely intrastate.

Key Supreme Court principle:
Intrastate commerce is not protected by the Dormant Commerce Clause.

Therefore:
A Hawai‘i CFS applied to inter-island aviation fuel:
- does not burden interstate commerce
- does not regulate foreign commerce
- does not have extraterritorial effects

Conclusion:
The Dormant Commerce Clause does not restrict Hawai‘i’s authority over inter-island aviation fuel.

6. Ninth Circuit Precedent — Why It Supports State Regulation of Intrastate Aviation Fuel

The Ninth Circuit has repeatedly held:
- States may regulate intrastate transportation
- Federal preemption applies only when a state law affects interstate carriers
- Environmental and economic regulations affecting intrastate operations are generally upheld

Key case analogy:
Rocky Mountain Farmers Union v. Corey — The Ninth Circuit upheld California’s LCFS because it regulated in-state fuel pathways, not interstate commerce.

A Hawai‘i CFS applied to inter-island aviation fuel is even more clearly intrastate.

🏵️ 7. Why a CFS Applied to Inter-Island Aviation Fuel Is Legal Even Though It Is Illegal for Interstate/International Fuel

Legal Authority	Interstate/International Aviation	Inter-Island Aviation
Airline Deregulation Act	Preempts	Does not apply
Federal Aviation Act	Preempts fuel incentives	No preemption
Clean Air Act §209	Preempts emissions-related incentives	Does not apply
Chicago Convention / ICAO	Preempts state incentives	Does not apply
Dormant Commerce Clause	Bars state burdens on interstate commerce	Not applicable
Ninth Circuit Precedent	Protects interstate carriers	Allows intrastate regulation

Conclusion:
A CFS applied to inter-island aviation fuel is fully legal, while a CFS applied to interstate or international aviation fuel is categorically illegal.

🌺 Why Hawai‘i Cannot Offer CFS Credits for SAF Used on Interstate Flights — Even If the State Wants to Reduce Those Emissions

Even though Hawai‘i has a local refinery, 65% of the domestic jet fuel uplift is interstate, and related emissions appear in the State’s GHG inventory, Hawai‘i still cannot legally offer CFS credits to induce SAF use on interstate flights. The reason is structural, not policy-based.

Even though Hawai‘i’s GHG inventory (consistent with IPCC and Intergovernmental Panel guidance) counts all fuel sold in the state, including fuel later burned on interstate flights, the State cannot regulate or incentivize how that fuel is used once it enters interstate aviation. The legal barrier is not about emissions accounting — it is about federal jurisdiction over interstate aviation.

🌺 **SUMMARY**

Hawai‘i cannot award CFS credits for low-carbon fuels used on interstate or international flights because doing so would constitute an economic regulation of air carriers, which is expressly preempted by federal law — including the Airline Deregulation Act, the Federal Aviation Act, and the Clean Air Act. Courts have repeatedly held that even indirect economic incentives that influence airline fuel choice, routes, or operations are federally preempted.

1. Federal law gives the U.S. government exclusive authority over interstate aviation — not the states.

Airline Deregulation Act (ADA)

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49 U.S.C. § 41713(b)(1)
Prohibits any state law “related to a price, route, or service of an air carrier.”

A CFS credit for SAF used on interstate flights would:
- change the effective price of fuel for interstate carriers
- influence route economics
- alter fuel procurement decisions
- create a state-level economic incentive for airlines to modify interstate operations

Courts interpret “related to” extremely broadly.
Even indirect incentives = preempted.

California can do this only because its LCFS does not regulate interstate aviation fuel.

It awards credits only for in-state ground operations (e.g., electric ground support equipment), not for jet fuel burned on interstate flights.

2. The Federal Aviation Act gives FAA exclusive authority over aviation operations, including fuel.

49 U.S.C. §§ 40103, 44701

FAA has exclusive sovereignty over:
- airspace
- aviation operations
- aircraft performance
- fuel standards

A state cannot create a financial inducement that affects:
- what fuel airlines use on interstate flights
- how airlines operate aircraft
- how airlines plan interstate routes

A CFS credit for interstate SAF use would be treated as state interference in FAA-regulated operations.

3. Clean Air Act § 209 prohibits states from regulating aircraft engine emissions.

42 U.S.C. § 7543(a)

“No State may adopt or attempt to enforce any standard relating to the control of emissions from aircraft engines.”

A CFS credit for SAF used on interstate flights is:
- a state standard
- relating to aircraft engine emissions
- because it rewards lower lifecycle carbon intensity

Even if framed as a “fuel standard,” courts look at effect, not label.
If the effect is to reduce aircraft emissions, it is preempted.

4. International aviation treaties prohibit state-level incentives affecting international carriers.

Even if Hawai‘i wanted to mirror California’s LCFS:
- ICAO rules
- Chicago Convention
- bilateral air service agreements

…prohibit states from imposing emissions-related incentives on international aviation.
Because interstate and international flights are operationally intertwined, Hawai‘i cannot create a program that affects both.

5. The Dormant Commerce Clause prohibits state laws that burden interstate commerce.

A Hawai‘i CFS credit for SAF used on interstate flights would:
- alter competitive conditions between airlines
- affect out-of-state operations
- regulate conduct occurring outside Hawai‘i
- distort interstate fuel markets

This is classic extraterritorial regulation, which the Supreme Court consistently strikes down.

6. Ninth Circuit precedent is especially strict.

The Ninth Circuit (Hawai‘i’s circuit) has repeatedly held:
- states cannot regulate aviation fuel markets
- states cannot impose economic incentives affecting interstate carriers
- states cannot regulate aircraft emissions

This is the same circuit that upheld California’s LCFS only because it excluded aviation fuel.
If California tried to regulate interstate jet fuel, it would be struck down too.

Why the GHG inventory does not change the legal analysis

Hawai‘i’s GHG inventory counts fuel sold in the state, not fuel burned in the state.

This is an accounting convention, not a grant of regulatory authority.

The fact that interstate jet fuel emissions appear in Hawai‘i’s inventory:
- does not expand state jurisdiction
- does not override federal preemption
- does not allow Hawai‘i to regulate interstate aviation

Hawaii can count the emissions —
but Hawaii cannot regulate the activity that produces them.

Why California can do what Hawai‘i cannot

California’s LCFS does not award credits for SAF used on interstate flights.

It awards credits only for:
- in-state ground operations, and
- in-state fuel pathways

California explicitly excludes interstate aviation fuel from credit generation to avoid federal preemption.
If California tried to do what Hawai‘i is considering, it would be struck down too.

Final Summary

Even though Hawai‘i has a local refinery and even though interstate jet fuel emissions appear in the State’s GHG inventory, Hawai‘i cannot legally offer CFS credits to induce SAF use on interstate flights because:

- the Airline Deregulation Act prohibits state economic incentives affecting interstate aviation
- the Federal Aviation Act gives FAA exclusive authority over aviation operations and fuel
- the Clean Air Act prohibits state standards relating to aircraft engine emissions
- international aviation treaties prohibit state-level emissions incentives
- the Dormant Commerce Clause bars state interference with interstate commerce
- Ninth Circuit precedent is especially strict

Only inter-island aviation fuel is within Hawai‘i’s jurisdiction.
Interstate and international aviation fuel must remain excluded.

Side-by-Side Comparison - Interstate vs Inter-Island Aviation Fuel CFS

Provided below is clean, committee-ready side-by-side comparison of the legal treatment of interstate/international aviation fuel versus inter-island aviation fuel under a Clean Fuel Standard (CFS).

Side-by-Side Legal Comparison: Interstate vs. Inter-Island Aviation Fuel Under a CFS

This table distills the entire federal preemption landscape into a single, easy-to-read format. It shows exactly why Hawai'i is prohibited from regulating interstate/international aviation fuel — and why it is fully permitted to regulate inter-island aviation fuel.

1. Airline Deregulation Act (ADA)

49 U.S.C. § 41713(b)(1)

Issue	Interstate/International Aviation	Inter-Island Aviation
ADA applicability	Yes — fully applies	No — does not apply
Why	Applies to "interstate air transportation"	Intrastate flights fall outside statutory definition
Effect	State cannot impose economic incentives affecting fuel choice, routes, or services	State may regulate fuel standards and incentives
Outcome	CFS credits = preempted	CFS credits = allowed

2. Federal Aviation Act (FAA Act)

49 U.S.C. §§ 40103, 44701

Issue	Interstate/International Aviation	Inter-Island Aviation
FAA exclusive authority	Yes — full field preemption	Limited — safety only
Why	FAA regulates fuel standards for interstate carriers	FAA does not regulate carbon intensity of intrastate fuel
Effect	State cannot influence fuel type or performance	State may regulate carbon intensity and incentives
Outcome	CFS credits = preempted	CFS credits = allowed

3. Clean Air Act (CAA) § 209

42 U.S.C. § 7543

Issue	Interstate/International Aviation	Inter-Island Aviation
Preemption of aircraft engine emission standards	Yes — explicit	No — does not apply
Why	EPA sets standards for interstate aircraft engines	EPA has never set standards for intrastate-only aircraft
Effect	State cannot regulate emissions or fuel CI for interstate flights	State may regulate CI of intrastate aviation fuel
Outcome	CFS credits = preempted	CFS credits = allowed

4. International Aviation Treaties

Chicago Convention (1944), ICAO Standards

Issue	Interstate/International Aviation	Inter-Island Aviation
Applicability	Yes — binding	No — not applicable
Why	Applies to international civil aviation	Intrastate flights do not cross borders
Effect	State cannot impose emissions-related incentives on foreign carriers	State retains full authority
Outcome	CFS credits = prohibited	CFS credits = allowed

5. Dormant Commerce Clause

Issue	Interstate/International Aviation	Inter-Island Aviation
Applicability	Yes — protects interstate/foreign commerce	No — intrastate commerce not protected
Why	State cannot burden interstate markets	Intrastate markets are within state authority
Effect	State cannot impose incentives affecting interstate aviation	State may regulate intrastate aviation fuel
Outcome	CFS credits = unconstitutional	CFS credits = constitutional

6. Ninth Circuit Precedent

Issue	Interstate/International Aviation	Inter-Island Aviation
Treatment	Strict preemption	State authority preserved
Why	Aviation fuel regulation affecting interstate carriers is federally preempted	Intrastate fuel regulation is permissible
Key cases	Air Transport Ass'n v. City of LA; Morales; Rowe	Rocky Mountain Farmers Union v. Corey (supports in-state fuel regulation)
Outcome	CFS credits = preempted	CFS credits = allowed

Final Conclusion

Interstate & International Aviation Fuel

❌ Hawai'i is prohibited from awarding CFS credits or imposing CI-based incentives.
Federal law preempts any state action affecting fuel choice, price, routes, or emissions.

Inter-Island Aviation Fuel

✅ Hawai'i may regulate inter-island aviation fuel under a CFS.
Intrastate aviation is outside ADA preemption, FAA fuel regulation, CAA §209, international treaties, and Dormant Commerce Clause constraints.

Bottom Line
A Clean Fuel Standard must exclude interstate and international aviation fuel —
but may include inter-island aviation fuel without legal risk.

TESTIMONY IN OPPOSITION TO SB2999 HD2

Hearing: April 7, 2026 — House Committee on Finance

Chair, Vice Chair, and Members of the Committee on Finance:

Thank you for the opportunity to submit comments on **SB2999 HD2**, relating to the Clean Fuel Standard (CFS). I respectfully **oppose this measure unless amended** because it does **not** establish a Clean Fuel Standard for **inter-island aviation fuel**. Both the 2025 Climate Action Plan and HDOT's Energy Security and Waste Reduction Plan identify aviation as a critical emissions sector and recommended a CFS as a key policy/administrative tool, but this bill does not empower and more importantly does not obligate HDOT to establish CFS standards and protocols for inter-island aviation fuels, - which could cost taxpayers tens and potentially hundreds of millions of dollars per year.

1. SB2999 HD2 Does Not Create a CFS Requirement for Inter-Island Aviation Fuel (Despite Legal Authority to Do So)

Hawai'i's **2025 Climate Action Plan (CAP)** identifies aviation as one of the State's largest and most difficult-to-decarbonize sectors.

Hawai'i Climate Action Pathway FINAL DEC11.3

The CAP explicitly recommends a **Clean Fuel Standard** as a mechanism to reduce aviation emissions.

However:

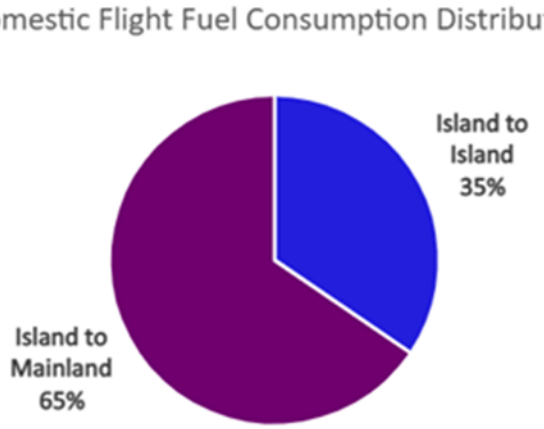
- **Currently there is no mandate requiring a CFS for inter-island aviation fuel.**
- **SB2999 HD2 does not create such a mandate.**
- The bill leaves aviation participation **voluntary**, which is inconsistent with the CAP's recommendations and is insufficient to achieve meaningful reductions.

This is a critical omission because **inter-island aviation accounts for roughly 35% of Hawai'i's total jet fuel consumption**, a far larger share than in mainland states. Without a mandatory CFS for this sector, the State cannot meet the aviation decarbonization targets and large public subsidies in the form of tax credits for the aviation sector will be required as result.

As indicated by HDOT's Energy Security and Waste Reduction Plan (ESWRP) and as shown below, approximately 35% of the domestic aviation fuel, or about 210 million gallons per year is consumed on air travel between the islands.

HDOT's Energy Security and Waste Reduction Plan (ESWRP)

Figure 2-4. Domestic Flight Fuel Consumption Distribution



Based on an estimate of 210 million gallons of aviation fuel consumed on interisland flights (35% of 600 million gallons) and the proposed $1.40/gal that has already been advanced by SB2376-HD1, the State's potential costs to subsidize a 50% blend of SAF with conventional jet fuel would be $147 million per year and $294 million per year if or when 100% SAF is uplifted within Hawaii. Again, without a mandatory CFS for aviation that potential public subsidy ($150 – $300 million **per year**) would be needed for just inter-island air travel.

The legislature could substantially avoid burdening Hawaii taxpayers with the costs of reducing and eventually eliminating GHG emissions by making participation of inter-island air travel in the CFS mandatory. Require HDOT to establish implementation criteria and procedures for inter-island aviation fuel just like inter-island marine fuels, but with separate carbon intensity (CI) targets to be established.

2. The Bill's Structure Suggests Broader Authority Than HRS §225P-8 Provides

SB2999 HD2 relies on **HRS §225P-8**, which authorizes HDOT to adopt rules for a clean transportation standard. But the statute does **not** authorize:

- A statewide carbon intensity credit trading market
- A system that monetizes credits for private entities
- A program that applies to **interstate or international aviation fuel**

The State's jurisdiction extends only to **intrastate (inter-island) aviation**. Yet the bill does not clearly distinguish between intrastate and interstate fuel, creating legal ambiguity and potential conflict with federal law.

3. The CAP's Aviation Cost Estimates Highlight the Need for a Clear, Targeted Policy

The **2025 Climate Action Plan** estimates that achieving 100% Sustainable Aviation Fuel (SAF) for Hawai'i's aviation sector would cost **$12.15 billion** over the program period through 2045. This underscores two realities:

1. **Aviation is a major emissions source requiring a dedicated policy tool.**
2. **A voluntary CFS framework is insufficient** to drive SAF adoption at the scale envisioned in the CAP.

SB2999 HD2 does not implement the CAP's recommended approach for aviation and leaves the State without a viable and fiscally responsible mechanism to address one of its largest emissions sectors.

As indicated below, the 2025 CAP report estimated the additional and cumulative cost of transitioning from conventional aviation/jet fuel to 100% sustainable aviation fuel (SAF) by 2045 at $**12.15 billion** dollars ($76.79 - 64.64 billion).

Table 57: Projected conventional aviation fuel cost versus a [preferred] scenario in which 100% SAF blend is used in [all domestic] aviation fuels by 2045

$ billions	2026	2030	2035	2040	2045	Cumulative 2026-2045
Projected jet fuel use costs	2.57	3.30	3.30	3.30	3.28	64.64
Costs of jet fuel use + 30% SAF blend by 2040	2.62	3.92	4.12	4.01	3.63	76.79
Difference (savings)	0.05	0.62	0.82	0.71	0.35	12.15

Without adoption of a mandatory CFS for interisland aviation or the possibility of extending the CFS to interstate aviation with special authorization from federal authorities, almost the entire financial burden of the transition of to renewable energy in the aviation section (estimated at **$640 million per year**) will fall on either:

1. Taxpayers or
2. Airlines and their passengers

The airlines, and their fuel suppliers and other advocates for tax credits principally for SAF, have provided testimony that their participation in the CFS on a voluntary basis will not provide a sufficient financial incentive for SAF, based in part on the false assertion that any mandatory participation of the aviation section would be illegal (largely dismissing the fact that it could and should be imposed on intrastate air travel, just like interstate marine fuels).

Allowing the development of a mandatory CFS program for interisland air transportation to be deferred particularly will effectively force the State to offer State tax credits as an additional incentive for the uplift of SAF in Hawaii. Although many of the amendments proposed by the TRN committee on March 27 th (as HD2) are beneficial, because aviation fuels are currently exempted, the addition of paragraph (e) reproduced below is almost certain to delay the imposition of a CFS on interisland aviation fuels (and all

aviation fuels) another 3 or 4 years until at least 2031 and probably longer if the airline industry has its way (of benefiting from the CFS program without being obligated to it).

> *"(e) For any substantive rule amendments or expansion of the clean fuel standard for alternative fuels adopted on or after **January 1, 2028**, the department shall conduct at least one public informational session in each county, including virtual participation options, no less than one hundred twenty days prior to the effective date of the rule or expansion."*

Because so much (35%) of the domestic aviation fuel uplifted in Hawaii is used on interisland flights, in the early years all of the SAF which is predicted to be available could be consumed preferentially on inter-island flights. After establishing the industry and allowing the production of SAF to increase, its use on interstate flights (even without special federal authorization) would be greatly accelerated once parity in pricing between conventional jet fuel and SAF is reach in the mid 2040's, as projected in the climate action plan.

4. The Bill Creates Fiscal Exposure Without Ensuring Emissions Reductions

Because SB2999 HD2 does not mandate participation by inter-island aviation, the State could face:

- **Uncapped credit issuance**
- **Uncertain General Fund exposure**
- **Credit stacking** with federal and state incentives
- **No guaranteed emissions reductions** from aviation

This creates fiscal risk without delivering the aviation decarbonization outcomes identified in the CAP.

5. Airlines' Use of California Data Is Misleading in the Hawai‘i Context

Some testimony has cited California's intrastate aviation emissions to argue that intrastate aviation is a small share of total fuel use. But:

- California's intrastate aviation is **less than 10%** of its total aviation fuel consumption.
- Hawai‘i's intrastate aviation is **approximately 35%** of domestic jet fuel consumption according to HDOT's GHG reduction plan.

These markets are not comparable. Hawai‘i's reliance on inter-island air travel makes intrastate aviation a **major emissions source**, and the CAP recognizes this. SB2999 HD2 does not.

6. Recommended Amendments

If the Committee chooses to advance SB2999 HD2, the following amendments would align the bill with the CAP and reduce fiscal and legal risk:

1. **Explicitly require a Clean Fuel Standard for inter-island aviation fuel**, consistent with CAP recommendations.
2. **Clarify that interstate and international aviation fuel are excluded**, consistent with federal jurisdiction.
3. **Prohibit double-dipping** between CFS credits and state tax credits.
4. **Cap total credit issuance** or establish fiscal safeguards.
5. **Require a fiscal impact assessment** before implementation.

These changes would ensure that the bill actually implements the CAP's aviation recommendations and protects the State from unintended financial exposure.

Summary

SB2999 HD2 advances an important policy discussion, but as drafted, it does **not** establish a Clean Fuel Standard for inter-island aviation fuel, despite the 2025 Climate Action Plan identifying aviation as a critical sector and recommending a CFS as a primary tool. I respectfully request that the Finance Committee **defer this measure** or **amend it** to address the concerns outlined above.

Thank you for the opportunity to testify.