

JAN 26 2011

A BILL FOR AN ACT

RELATING TO ENERGY EFFICIENCY.

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

1 SECTION 1. Act 155, Session Laws of Hawaii 2009, requires
2 the public utilities commission to establish energy efficiency
3 portfolio standards that maximize cost-effective energy
4 efficiency programs and technologies and which are designed to
5 achieve four thousand three hundred gigawatt hours of
6 electricity use reductions statewide by 2030. The legislature
7 acknowledges that achieving this aggressive energy efficiency
8 goal will require significant capital investment but will yield
9 tremendous long-term savings for businesses and residents
10 statewide. The legislature finds that Hawaii currently lacks
11 adequate policies that are capable of realizing this efficiency
12 goal.

13 The legislature observes the emergence of market-based
14 mechanisms in state and local jurisdictions outside of Hawaii
15 that seek to achieve energy efficiency goals and mandates,
16 including energy efficiency credit markets. Energy efficiency
17 credit compliance trading markets exist in Connecticut,
18 Massachusetts, Nevada, and Pennsylvania, where these states have



1 adopted legislation requiring efficiency as part of a portfolio
2 standard and allow for the creation and trading of energy
3 efficiency credits.

4 Energy efficiency credit trading is intended to create
5 market signals that value the economic benefits of energy
6 efficiency, similar to the role green tag or renewable energy
7 credit markets have played in developing renewable energy
8 resources. Energy efficiency credits represent one megawatt
9 hour of electricity savings through energy efficiency measures.
10 Energy efficiency credits can be bought and traded among
11 utilities and other companies and may be traded across states or
12 offered to the federal government to offset energy consumption.
13 This encourages the market to find the most beneficial means of
14 energy savings and thereby minimizes the overall economic costs
15 of becoming more efficient.

16 The markets are designed to create demand, establish
17 compliance buyers, and may institute a price floor or ceiling.
18 Numerous efficiency measures and technologies can be utilized to
19 create an energy efficiency credit, including combined heat and
20 power, waste heat, electricity savings from energy efficiency
21 measures, load management programs, and demand response
22 technologies.



1 Uniform standards for measuring and verifying savings
2 across varying technologies are required in order for the energy
3 efficiency credit market to achieve larger scale penetration.
4 Energy efficiency credit markets also require tracking systems,
5 which are necessary to track ownership of the energy efficiency
6 credit and safeguard against double counting. The tracking
7 system must have the capacity for integrating energy efficiency
8 credits with renewable energy credits and carbon offsets, as
9 there is the potential overlap of environmental attributes
10 should these markets merge in the future.

11 The legislature finds that energy efficiency credits
12 present a viable market-based public policy tool for promoting
13 energy savings across the state economy. According to the
14 National Renewable Energy Laboratory, several states are
15 investigating the possibility of incorporating energy efficiency
16 credit trading into their energy policies. In addition, the
17 inclusion of energy efficiency portfolio standards in select
18 versions of federal energy legislation indicates the potential
19 for an eventual national market.

20 The combination of a potential national market and several
21 new state markets represent significant potential for the energy
22 efficiency credit market moving forward. Currently, with only



1 four states comprising the energy efficiency credit market in
2 the United States, the market is approximately valued around
3 \$200,000,000. With additional states considering adding
4 portfolio standards and the possibility of a national market,
5 the energy efficiency credit market could grow to over
6 \$1,000,000,000 in the next five years.

7 The purpose of this Act is to require the public utilities
8 commission to establish an energy efficiency credit program that
9 will maximize cost-effective energy efficiency programs and
10 technologies throughout the State.

11 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§269- Energy efficiency credit program. (a) The public
15 utilities commission shall establish an energy efficiency credit
16 program that will maximize cost-effective energy efficiency
17 programs and technologies.

18 (b) The energy efficiency credit program shall be designed
19 to aid in the achievement of four thousand three hundred
20 gigawatt hours of electricity use reductions statewide by 2030,
21 or other energy efficiency mandates as may be established by the
22 public utilities commission or the legislature, through energy



1 efficiency portfolio standards established by the public
2 utilities commission.

3 (c) One energy efficiency credit shall be equivalent to
4 one megawatt hour of energy savings.

5 (d) Any energy efficiency technology or program eligible
6 for the energy efficiency portfolio standards established by the
7 commission shall be eligible for the energy efficiency credit
8 program.

9 (e) The energy efficiency credit program shall be designed
10 to have the capacity to integrate with and to not unduly
11 interfere with any future renewable energy credit program and
12 any market-based program concerning the reduction of greenhouse
13 gas emissions adopted pursuant to law.

14 (f) The energy efficiency credit program shall establish a
15 certifying body, trading rules, standards for measurement and
16 verification, and reporting and tracking requirements.

17 (g) The public utilities commission, by order or rule, may
18 require that all or a portion of the moneys collected by
19 Hawaii's electric utilities from its ratepayers through an
20 energy efficiency credit program surcharge be used for the
21 purposes of this section.



1 (h) Nothing in this section shall create or be construed
 2 to cause the energy efficiency credit program surcharge to be
 3 considered state or public moneys subject to appropriation by
 4 the legislature or be required to be deposited into the state
 5 treasury."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on July 1, 2011.

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Report Title:

Energy Efficiency Credits Trading; Public Utilities Commission

Description:

Requires the public utilities commission to establish an energy efficiency credit program that will maximize cost-effective energy efficiency programs and technologies.

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