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## A BILL FOR AN ACT

RELATING TO THE ENVIRONMENT.

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

1           SECTION 1. The legislature finds that the State's natural  
2 environment and ecosystems are in a fragile state, due to the  
3 amount of greenhouse gases released through human activities and  
4 the resulting impact on global climate change. The legislature  
5 also finds that the State should support programs that  
6 incentivize state agencies, private entities, and individuals to  
7 adopt practices that are more environmentally friendly and that  
8 result in reduced carbon emissions into the environment. The  
9 legislature notes that one mechanism that has gained success in  
10 Europe after adoption of the Kyoto Protocol is the transferring  
11 and selling of carbon offset credits. California and numerous  
12 other states and private industries have established these types  
13 of credits for purchase by polluters to offset their carbon  
14 emissions. Billions of dollars have been raised by California  
15 alone, and many industries are seeking new places to invest  
16 these dollars to offset their carbon emissions.



1           The legislature further finds that it is necessary to  
2 invest state funds to improve the State's water infrastructure  
3 and ensure future water sustainability in the face of ongoing  
4 climate change. More specifically, the State must be prepared  
5 to provide more resources and support for those affected by  
6 disaster-scale flooding, coastal seawater inundation, and  
7 shortages of potable water and agricultural water. The  
8 legislature anticipates that the revenues raised by a state  
9 carbon offsets program will greatly enhance current water  
10 sustainability efforts.

11           Accordingly, the legislature finds that it is in the public  
12 interest to create a carbon offsets program in the State that  
13 would incentivize and reward the adoption, practice, and  
14 adherence to carbon emission reduction activities, consistent  
15 with the Hawaii 2050 sustainability plan.

16           The purpose of this Act is to establish a program under the  
17 department of business, economic development, and tourism that  
18 allows state agencies and other interested parties to acquire  
19 carbon offset credits to offset their respective carbon  
20 emissions, and uses the resulting proceeds to fund projects that



1 improve the State's water infrastructure or mitigate threats to  
2 water sustainability efforts due to climate change.

3 SECTION 2. Chapter 201, Hawaii Revised Statutes, is  
4 amended by adding two new sections to part I to be appropriately  
5 designated and to read as follows:

6 "§201- Definitions. As used in this section:

7 "Carbon offset" means a compensatory measure made by an  
8 agency or individual to reduce carbon emissions, which may  
9 include the adoption of practices that increase the absorption  
10 of carbon dioxide.

11 "Carbon offset credit" means a tradable credit issued by  
12 the department under the program that represents a greenhouse  
13 gas reduction or greenhouse gas removal enhancement that is  
14 equivalent to one metric ton of carbon dioxide equivalent and  
15 meets the requirements of the program.

16 "Emissions" means the release of greenhouse gases into the  
17 atmosphere from sources and processes found in a specified  
18 industry, including from the combustion of transportation fuels  
19 such as natural gas, petroleum products, and natural gas  
20 liquids.



1        "Program" means the carbon offset program administered by  
2 the department.

3        "State agency" means a unit of state government, such as a  
4 department, division, branch, agency, program, or office, and  
5 includes the legislature, judiciary, and office of Hawaiian  
6 affairs.

7        §201-        Carbon offset program. (a) The department shall  
8 establish a carbon offset program that:

9        (1) Establishes a process for use by state agencies and  
10 other interested parties to identify management  
11 actions that contribute to a reduction in carbon  
12 emissions;

13        (2) Establishes carbon offset credits that may be  
14 transferred or sold among public and private entities  
15 in the State; provided that carbon offset credits  
16 shall be applied within the State; provided further  
17 that a substantial portion of the proceeds generated  
18 from sales of carbon offset credits shall be invested  
19 in projects that improve the State's water  
20 infrastructure or mitigate threats to water



- 1           sustainability due to climate change, including but  
2           not limited to:
- 3           (A) Flood prevention and preparedness;
  - 4           (B) Mitigation of sea level rise;
  - 5           (C) Increasing potable water supplies; and
  - 6           (D) Increasing agricultural water supplies;
- 7           (3) Guarantees sustainable management of the State's  
8           natural resources by reducing carbon emissions, based  
9           on accepted principles, standards, and best management  
10           practices; and
- 11           (4) Is consistent with the Hawaii 2050 sustainability  
12           plan.
- 13           (b) The department shall adopt rules, pursuant to chapter  
14           91, necessary to carry out the purposes of this section. At a  
15           minimum, rules adopted under this section shall address:
- 16           (1) Standards to assure program participants that carbon  
17           offsets to be transferred or sold under the program  
18           shall:
  - 19           (A) Not result in harm to or deterioration of natural  
20           resources in the State; and



- 1           (B) Provide environmental, social, cultural, or  
2           economic benefits, including but not limited to  
3           the improvement of the State's water  
4           infrastructure or mitigation of threats to water  
5           sustainability due to climate change;
- 6           (2) Provisions for establishing the appropriate baseline  
7           for projects or practices undertaken to reduce carbon  
8           emissions;
- 9           (3) Ownership of any carbon emission debits and credits  
10           for carbon storage or sequestration that are made  
11           through a third party or accredited program;
- 12           (4) The manner in which specific industry practices shall  
13           monitor and verify carbon dioxide emission for carbon  
14           storage or sequestration;
- 15           (5) The use of reputable third-party verification of  
16           carbon offsets; and
- 17           (6) The manner in which the valuation of carbon offset  
18           credits shall be determined."

19           SECTION 3. New statutory material is underscored.



# H.B. NO. 1986

1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_

*[Handwritten signature]*  
*Nicole E. Loren*  
*[Handwritten signature]*

JAN 19 2018



# H.B. NO. 1986

**Report Title:**

DBEDT; Carbon Offsets Program

**Description:**

Establishes a carbon offsets program under the Department of Business, Economic Development, and Tourism that allows state agencies and other interested parties to acquire carbon offset credits to offset their respective carbon emissions, and uses the resulting proceeds to fund projects that improve the State's water infrastructure or mitigate threats to water sustainability efforts due to climate change.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

