
A BILL FOR AN ACT

RELATING TO CARBON EMISSIONS.

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

1 SECTION 1. The legislature finds that decisive action is
2 needed to avoid the worst impacts that climate change will have
3 on Hawaii's environment, economy, and quality of life. The
4 State has committed to transitioning away from fossil fuels
5 toward a clean energy economy that is powered by one hundred per
6 cent renewable energy. The legislature has passed ambitious
7 carbon reduction goals, including the goals of reaching net
8 carbon neutrality by 2045, pursuant to Act 15, Session Laws of
9 Hawaii 2018, and achieving the climate change objectives of the
10 Paris Agreement, pursuant to Act 32, Session Laws of Hawaii
11 2017. Setting these bold targets is important, but bold targets
12 alone are insufficient.

13 The legislature also finds that pricing carbon emissions
14 via a tax on fossil fuels has emerged as a broadly supported,
15 economically efficient, and effective policy tool to reduce
16 emissions. Economists and leaders from across the political
17 spectrum, including Nobel prize-winning economists, four former



1 chairs of the United States Federal Reserve, and fifteen former
2 chairs of the United States Council of Economic Advisers, have
3 endorsed a carbon tax as a necessary, market-based solution to
4 our climate challenge. Hawaii's own climate change mitigation
5 and adaptation commission has endorsed the adoption of a carbon
6 tax in Hawaii as "the most effective single action that will
7 achieve Hawaii's ambitious and necessary emissions reduction
8 goals".

9 The legislature further finds that, currently, the prices
10 of electricity, gasoline, and other fuels do not accurately
11 reflect the cost to society from the negative environmental and
12 health impacts of burning fossil fuels. This market failure
13 suppresses incentives for developing and deploying carbon-
14 reducing measures, such as energy efficiency, renewable energy,
15 and low-carbon fuels. It also discourages individuals from
16 engaging in behavior and making choices that reduce fuel and
17 energy consumption. Taxing fuels according to their carbon
18 content will align the market with desired policy outcomes, from
19 an individual's choice of vehicles, appliances, and housing to a
20 business' choices of product design, capital investment, and
21 facilities.



1 The legislature also finds that, if not designed correctly,
2 a carbon tax could disproportionately impact low- to moderate-
3 income residents. Therefore, it is necessary to consider ways
4 to implement a carbon tax that offsets its regressive nature. A
5 variety of mechanisms exist to reduce the regressive nature of a
6 carbon tax, including increasing the amount of the state earned
7 income tax credit and making the credit refundable; reducing
8 existing taxes, particularly those that are disproportionately
9 paid by lower income residents, such as the general excise tax;
10 or providing a direct dividend to residents. In endorsing the
11 adoption of a carbon tax, the Hawaii climate change mitigation
12 and adaptation commission emphasized the need for the tax to be
13 equitable and appropriate for the people of Hawaii and to
14 successfully change behavior of industry and individuals in a
15 way that meaningfully reduces carbon emissions.

16 Recognizing the urgent need for an accelerated transition
17 away from fossil fuels, the legislature seeks to better
18 understand if and how pricing carbon can accelerate Hawaii's
19 cost-effective transformation to a one hundred per cent clean
20 energy future, while ensuring that the transition is fair,
21 equitable, and beneficial for all.



1 The purpose of this Act is to appropriate funds for a
2 comprehensive study of a carbon tax to help policymakers better
3 understand the opportunities, impacts, and options that a carbon
4 price policy could bring to Hawaii.

5 SECTION 2. (a) The office of planning shall conduct a
6 study, and may contract with a third party to assist in
7 conducting the study, regarding the implementation of a
8 statewide carbon tax; provided that the study shall include the
9 following:

- 10 (1) An examination of carbon pricing and options for
11 adopting a statewide carbon tax in Hawaii for the
12 purposes of affecting market and consumer behavior to
13 reduce carbon emissions and their negative impacts on
14 the environment and on human health;
- 15 (2) A determination on what level the carbon price would
16 need to be set at in order to bring about the desired
17 outcomes as stated in paragraph (1);
- 18 (3) Revenue projections for a recommended carbon tax and
19 the source of the projected revenues, such as amounts
20 paid by the industry, residents generally, low-income
21 residents, and tourists;



- 1 (4) The threshold at which a carbon tax would result in
- 2 behavior change;
- 3 (5) Whether a carbon tax should be implemented through a
- 4 graduated increase over time;
- 5 (6) Recommendations for how to implement a carbon tax in a
- 6 manner that is equitable, particularly for low- to
- 7 moderate-income families and individuals, including
- 8 consideration of the impacts and implications of the
- 9 following options, either used alone or in
- 10 combination:
- 11 (A) Direct dividend to residents;
- 12 (B) Reduction of other regressive taxes, such as the
- 13 general excise tax on food and basic necessities;
- 14 (C) Increasing the state earned income tax credit;
- 15 (D) Revenue reinvestment in programs that reduce
- 16 carbon emissions, address climate adaptation
- 17 needs, or other appropriate programs; or
- 18 (E) Any other viable options;
- 19 (7) Consideration of any comparative advantages or
- 20 disadvantages of increasing or decreasing existing
- 21 taxes either alone or in combination, such as the



1 environmental response, energy, and food security tax
2 under section 243-3.5, Hawaii Revised Statutes, the
3 state fuel tax, or any other related tax, instead of
4 implementing a new and separate carbon tax, or in
5 combination with implementing a new carbon tax;

6 (8) Consideration of how to include air travel in a carbon
7 tax;

8 (9) Examples of other jurisdictions within or outside the
9 United States that have implemented a carbon tax and
10 any lessons that Hawaii may learn from those examples;
11 and

12 (10) Other criteria identified as necessary and relevant.

13 The office of planning shall engage with stakeholders, such
14 as any relevant state agencies, including the department of
15 taxation, business and industry groups, non-governmental
16 organizations with an interest in energy and climate issues,
17 non-governmental organizations with an interest in economic
18 justice issues, researchers at the University of Hawaii,
19 legislators, the Hawaii climate change mitigation and adaptation
20 commission, and any other relevant parties, to develop the
21 appropriate scope of the study.



1 (b) The office of planning shall submit an interim report
 2 to the legislature of its progress, findings, and
 3 recommendations, including any proposed legislation, no later
 4 than December 31, 2019, and status reports at the Hawaii climate
 5 change mitigation and adaptation commission's quarterly
 6 meetings, until a final report is submitted to the legislature.
 7 Feedback shall be solicited from the commission and any of its
 8 permitted interaction groups and working groups and incorporated
 9 into the study where appropriate, relevant, and within the scope
 10 of the report.

11 (c) The office of planning shall submit a final report to
 12 the legislature of its progress, findings, and recommendations,
 13 including any proposed legislation, no later than October 31,
 14 2020.

15 SECTION 3. There is appropriated out of the general
 16 revenues of the State of Hawaii the sum of \$ or so
 17 much thereof as may be necessary for fiscal year 2019-2020 and
 18 the same sum or so much thereof as may be necessary for fiscal
 19 year 2020-2021 for a study conducted by the office of planning
 20 relating to the implementation of a statewide carbon tax
 21 pursuant to this Act.



1 The sums appropriated shall be expended by the office of
2 planning for the purposes of this Act.

3 SECTION 4. This Act shall take effect on July 1, 2100.



Report Title:

Office of Planning; Carbon Emissions; Carbon Price; Study; Appropriation

Description:

Appropriates funds to the Office of Planning to conduct a comprehensive study of a statewide carbon tax. Effective 7/1/2100. (SD1)

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