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# A BILL FOR AN ACT

RELATING TO CARBON SEQUESTRATION INCENTIVES.

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

1           SECTION 1. The legislature finds that climate change has  
2 led to an increase in the frequency of extreme weather events.  
3 These events serve to only complicate the already increased  
4 risks associated with the Hawaiian islands, which are the  
5 world's most isolated populated land masses. Extreme weather  
6 events put greater stress on the State's vulnerable food supply  
7 chain and water supplies. The potential for shortages  
8 highlights the State's need for greater food and water security,  
9 which can be achieved by increasing local food production.

10           The legislature further finds that Hawaii needs to reduce  
11 its contribution to climate change, increase local food  
12 production, improve soil health, and secure resilient water  
13 sources. Furthermore, in addition to cutting emissions from  
14 burning carbon, Hawaii needs to mitigate climate change by  
15 sequestering greenhouse gases through regenerative agriculture  
16 and forest preservation. Incentivizing nature-based actions  
17 that improve soil health and are carbon-positive provides rich  
18 and diverse co-benefits, such as restoring, maintaining, and



1 improving landscape soil health and water security through  
2 payment-for-services programs. These programs would allow small  
3 farmers, ranchers, foresters, and landowners and lessees to be  
4 compensated for taking measures to help Hawaii reach its climate  
5 readiness goals.

6 Accordingly, the purpose of this Act is to:

7 (1) Establish the Hawaii carbon smart land management  
8 assistance pilot program to promote keeping forests  
9 and farmlands intact and sequestering additional  
10 carbon on the lands; and

11 (2) Repeal the carbon offset program.

12 SECTION 2. (a) There is established within the department  
13 of land and natural resources the Hawaii carbon smart land  
14 management assistance pilot program to incentivize carbon  
15 sequestration activities through incentive contracts that  
16 provide compensation for eligible practices by program  
17 participants.

18 (b) The department shall:

19 (1) Administer or enter into an agreement or agreements  
20 for the administration of the pilot program;



- 1           (2)   Coordinate with relevant agencies to provide financial  
2           incentive payments to owners and lessees of eligible  
3           land for eligible practices over a designated period,  
4           with appropriate crediting for soil health and carbon  
5           benefits as specified in an incentive contract;
- 6           (3)   Establish and implement protocols to monitor and  
7           verify compliance with the terms of incentive  
8           contracts;
- 9           (4)   Make available to the public any modeling,  
10          methodology, or protocol resources developed to  
11          estimate the sequestration rates of potential  
12          projects;
- 13          (5)   Identify, evaluate, and distribute dedicated moneys to  
14          accomplish the purposes of the pilot program; and
- 15          (6)   Coordinate collaborations related to soil health and  
16          carbon sequestration modeling, methods, and inventory  
17          improvements.
- 18          (c)   The department, with assistance from relevant  
19          agencies, shall establish compensation rates and incentive  
20          contract terms for phase I activities within one year of the  
21          date of receipt of a program application. An incentive contract



1 shall be for a term of no less than one year and no longer than  
2 thirty years, as determined by the owner or lessee; provided  
3 that the length of the contract term shall directly correlate  
4 with the rate of compensation paid pursuant to the contract.

5 (d) The department shall coordinate with relevant agencies  
6 to assist the department in carrying out the purposes of the  
7 pilot program, including:

8 (1) Estimating sequestration rates for phase I and phase  
9 II activities;

10 (2) Conducting research to develop the technical  
11 underpinnings of compensation rates for phase II  
12 activities; and

13 (3) Conducting community and landowner outreach  
14 activities.

15 (e) Landowners and lessees of eligible land may enter into  
16 an incentive contract upon approval of a program application on  
17 a form prepared by the department. An owner or lessee of  
18 eligible land currently engaged in eligible practices shall not:

19 (1) Be barred from entering into an incentive contract  
20 under this section to continue carrying out those  
21 eligible practices;



- 1           (2) Be prohibited from participating in the pilot program
- 2           due to the owner or lessee's participation in other
- 3           federal or state conservation assistance programs; or
- 4           (3) Be required to provide conservation easements.
- 5           (f) Priority shall be given to phase I and phase II
- 6 activities that:
- 7           (1) Are cost effective;
- 8           (2) Provide co-benefits to the State and the owner or
- 9           lessee of eligible land;
- 10          (3) Have the potential to create jobs in the forestry or
- 11          agriculture sectors and in rural communities; and
- 12          (4) Achieve community priorities, including food security
- 13          or watershed protection.
- 14          (g) On an annual basis, the department shall:
- 15          (1) Identify and prioritize selected soil health and
- 16          carbon-positive activities;
- 17          (2) Recommend compensation rates and contract terms for
- 18          eligible phase I activities;
- 19          (3) Assist in estimating sequestration rates for carbon-
- 20          positive practices;



- 1           (4) Research and develop the technical underpinnings of  
2           compensation rates for phase II activities; and  
3           (5) Conduct community and landowner outreach activities.  
4           (h) The department shall also identify co-benefits that  
5 may include:  
6           (1) Job creation;  
7           (2) Food security and agriculture for local consumption;  
8           (3) Water security;  
9           (4) Increased biodiversity;  
10          (5) Soil health; and  
11          (6) Invasive species reduction and removal.  
12          (i) The pilot program shall terminate on June 30, 2025.  
13          (j) As used in this section:  
14          "Department" means the department of land and natural  
15 resources.  
16          "Eligible land" means land in the State that is privately  
17 owned or public land that is leased to a private citizen at the  
18 time of initiation of an incentive contract.  
19          "Eligible practices" means practices on eligible land that  
20 increase soil health, reduce carbon emissions, and promote  
21 carbon sequestration and storage over a designated period.



1 "Incentive contract" means a contract that specifies the  
2 following:

- 3 (1) The eligible practices to be undertaken;
- 4 (2) The acreage of eligible land;
- 5 (3) The established rate of compensation;
- 6 (4) A schedule to verify that the terms of the contract  
7 have been fulfilled; and
- 8 (5) Other terms as the department deems necessary.

9 "Phase I activities" means activities identified as having  
10 a high likelihood of effectively achieving durable sequestration  
11 benefits at reasonable compensation rates across eligible land  
12 types, including:

- 13 (1) One-time establishment and yearly monitoring  
14 activities that include:
  - 15 (A) Reforestation;
  - 16 (B) Windbreaks;
  - 17 (C) Conservation tillage and reduced field pass  
18 intensity;
  - 19 (D) Improved forages; and
  - 20 (E) Control of invasive species; and
- 21 (2) Yearly investment activities that include:



- 1 (A) Efficient nutrient management;
- 2 (B) Crop diversity through rotations and cover crops;
- 3 (C) Manure management;
- 4 (D) Rotational grazing and improved forages;
- 5 (E) Waste-stream-derived amendment application,
- 6 including compost, biochar, and anaerobic digest;
- 7 (F) Improved cropping and organic systems; and
- 8 (G) Feed management.

9 "Phase II activities" means activities identified as having  
10 significant sequestration potential but requiring additional  
11 technical work to estimate the activities' sequestration  
12 potential or to identify appropriate eligible land types,  
13 including:

- 14 (1) Perennial biofuel feedstocks;
- 15 (2) Methane capture;
- 16 (3) Improved forest management;
- 17 (4) Conservation easements; and
- 18 (5) Other renewable energy options involving blended food  
19 and energy systems.

20 "Pilot program" means the Hawaii carbon smart land  
21 management assistance pilot program established by this Act.





1 SECTION 3. Section 225P-6, Hawaii Revised Statutes, is  
2 repealed.

3 ~~["§225P-6 Carbon offset program. (a) The office of~~  
4 ~~planning and sustainable development in partnership with the~~  
5 ~~greenhouse gas sequestration task force shall investigate and~~  
6 ~~establish a carbon offset program that:~~

7 ~~(1) Provides expertise in carbon offsetting to public~~  
8 ~~agencies and private entities and assists in~~  
9 ~~coordinating carbon offset projects of public~~  
10 ~~agencies, including but not limited to the generation,~~  
11 ~~certification, and marketing of carbon credits;~~

12 ~~(2) Allows for proceeds and revenues generated by state~~  
13 ~~departments from sales of offset credits to be~~  
14 ~~deposited into suitable funds particularly for~~  
15 ~~reinvestment to generate further carbon offset~~  
16 ~~credits; provided that the funds are used in~~  
17 ~~accordance with the purposes of the fund;~~

18 ~~(3) Allows for proceeds and revenues generated by state~~  
19 ~~agencies from sales of carbon credits other than as~~  
20 ~~described in paragraph (2) to be invested in projects~~



1 ~~enhancing the State's efforts to mitigate or adapt to~~  
2 ~~climate change; and~~

3 ~~(4) Is consistent with the State's sustainability goals~~  
4 ~~and policies.~~

5 ~~(b) The office of planning and sustainable development in~~  
6 ~~partnership with the greenhouse gas sequestration task force~~  
7 ~~shall submit a report of its findings and recommendations,~~  
8 ~~including any proposed legislation, to the legislature and the~~  
9 ~~climate change mitigation and adaptation commission no later~~  
10 ~~than twenty days prior to the convening of the regular session~~  
11 ~~of 2020.~~

12 ~~(c) As used in this section:~~

13 ~~"Carbon credit" means a tradable certificate or permit~~  
14 ~~issued by a carbon registry that represents a greenhouse gas~~  
15 ~~reduction or greenhouse gas removal enhancement that is~~  
16 ~~equivalent to one metric ton of carbon dioxide and meets the~~  
17 ~~requirements of the carbon offset program.~~

18 ~~"Carbon offset" means a compensatory measure made by an~~  
19 ~~agency, business, or individual to reduce carbon dioxide~~  
20 ~~emissions or to increase carbon dioxide sequestration.~~



1       ~~"Carbon registry" means any established international,~~  
2       ~~national, or regional carbon registry program that serves~~  
3       ~~voluntary or compliance markets, provides an independent carbon~~  
4       ~~standard to verify and certify carbon offsets, and issues carbon~~  
5       ~~credits."]~~

6       SECTION 4. Statutory material to be repealed is bracketed  
7       and stricken.

8       SECTION 5. This Act shall take effect upon its approval.



**Report Title:**

Carbon Sequestration; Hawaii Carbon Smart Land Management Assistance Pilot Program; Carbon Offset Program; Department of Land and Natural Resources

**Description:**

Establishes the Hawaii Carbon Smart Land Management Assistance Pilot Program to incentivize carbon sequestration activities through incentive contracts that provide compensation for eligible practices by program participants. Repeals the Carbon Offset Program. (CD1)

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

