



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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House Committee on Finance
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by

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HB 857 HD1 – RELATING TO SUSTAINABILITY

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

My name is Richard Rocheleau, Director of the Hawai'i Natural Energy Institute at the University of Hawai'i at Mānoa. HNEI supports HB 857 HD1, which reallocates the portion of the Environmental Response, Energy, and Food Security Tax (Barrel Tax) that currently goes into the general fund to the environmental response revolving fund (Dept. of Health), the energy security special fund (DBEDT), and the agricultural development and food security special fund (Dept. of Ag) as intended in the original legislation.

The Barrel Tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. In enacting the barrel tax legislation, the legislature found that: "undertaking the important task of energy and food security requires a long-term commitment and the investment of substantial financial resources." The efforts needed to reduce our dependence on fossil fuels are complex. Capital investments today will dictate the shape of our energy system for decades to come. This reallocation back to the original intent of the Barrel Tax will help ensure that the best possible path forward is identified, and help ensure the long term commitment necessary to help Hawaii attain food and energy security and sustainability.

Section 3 of the bill would extend the sunset date on the energy systems development special fund (ESDSF), which is administered by HNEI, until June 30, 2018. HNEI supports this extension. The ESDSF was established in 2007 by Act 253, three years before the current Barrel Tax was established by Act 73. Both Act 253 and Act 73 were enacted with provisions to sunset portions of them in five years. Last year the Legislature extended the sunset on the ESDSF for one year, until June 30, 2013 (Act 151). Thus, if no change is made, the ESDSF will sunset in less than five months.

While the ESDSF is not the largest source of funding for HNEI activities, it plays a crucial role in leveraging federal investment, removing roadblocks in programs critical for the success of HCEI, and contributing to programs likely to spur economic development.

As the stated in previous testimonies, despite being established in 2007, the ESDSF remained unfunded until 2010, when Act 73 directed 10 cents of the tax on each barrel of imported petroleum product go into the fund. Access to the funds was delayed an additional 12 months due to administrative errors.

Since receiving access to the funds in June 2011, HNEI has worked in close collaboration with DBEDT and other stakeholders to identify and initiate projects with significant near term potential to reduce the use of fossil fuels in Hawaii. A description of our current spend plan has been provided in our most recent Annual Report to the Legislature (November 2012). In addition to funding important projects that will help reduce our fossil fuel dependence, these projects have leveraged over \$12 million in federal funding which otherwise would not have been available, with a significant fraction of those federal dollars spent in Hawaii.

Energy projects of sufficient scope to impact fossil fuel use require time for planning, formation of partnerships, and implementation. HNEI has made significant strides with the initial portfolio of activities including projects in the areas of renewable technologies, grid integration, smart grid, energy efficiency and support for geothermal development and biofuels; each selected to help move Hawaii toward a more secure and sustainable future.

Extension of the sunset until June 2018 will allow time for these efforts already underway or in the planning phase to be completed in the most cost effective manner and for critical new projects to be implemented and completed. A thorough evaluation of the progress and need for continuation of the ESDSF as part of Hawaii's energy transition is appropriate.

HNEI supports extension of the sunset of the ESDSF until June 2018 and looks forward to working with the legislature to help transition Hawaii to a more economic and secure energy future.

Thank you.