



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Energy and Environmental Protection
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by
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SB 17 SD2 – RELATING TO FOSSIL FUELS

Chair Lee, Vice Chair Thielen, 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. We support SB 17 SD2, which amends the Environmental Response, Energy, and Food Security Tax (Barrel Tax) to apply to all fossil fuels, and reallocates the Barrel Tax collections to its original intended uses.

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 and decisions made today will dictate the shape of our energy system for decades to come. This reallocation back to the original intent of the Barrel Tax is essential to ensure that the best possible path forward is identified to help Hawaii attain food and energy security and sustainability.

I would also like to call the committee's attention to the energy systems development special fund (ESDSF), which is administered by HNEI. The ESDSF will sunset on June 30, 2013, a little more than three months from now, if no action is taken. Section 4 of this bill repeals the sunset date on the ESDSF. Other funds supported by the barrel tax, administered by the DOA and DBEDT are due to sunset on June 30, 2015. **We are asking that, at a minimum, the sunset for the ESDSF be changed to be consistent with the other funds supported by the Barrel Tax, and the Barrel Tax itself.**

The ESDSF was established in 2007 by Act 253, three years before the current Barrel Tax was established by Act 73. Despite being established in 2007, no funding was provided to the ESDSF 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).

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 this year. Since a portion of the Barrel Tax is deposited into the ESDSF, HNEI believes it is best to make the two laws consistent by either aligning or repealing the sunsets of all funds.

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. In less than 24 months, the ESDSF has been used to leverage more than \$12 million in federal funds for projects with high impact in Hawaii.

Repeal or extension of the sunset, to be consistent with the other funds supported by the Barrel Tax, 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.

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

Thank you.