



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
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before the
HOUSE COMMITTEE ON FINANCE

Friday, February 25, 2022
1:30 PM
State Capitol, Conference Room 308

**COMMENTS
HB 2278 HD1
RELATING TO ENERGY.**

Chair Luke, Vice Chair Yamashita, and Members of the Committee, the Hawai'i State Energy Office (HSEO) provides comments on HB 2278, HD1, which establishes a refundable income tax credit to mitigate the effect of a carbon emissions tax on taxpayers and amends the environmental response, energy, and food security tax to address carbon emissions.

HSEO's testimony is guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy, and by the Chief Energy Officers' mandate in HRS196-72(d)(1) to "Formulate, analyze, recommend, and implement specific policies, strategies, and plans, in coordination with public and private sector stakeholders, to cost-effectively and equitably achieve the State's energy goals."

HSEO supports the intent of the bill to establish a fee that is based on carbon emissions, and notes that, in addition to the numerous citations provided in the preamble of the bill, it has also been the position of the Hawaii Climate Change Mitigation and Adaption Commission that putting a price on carbon is the most effective single action that will achieve Hawaii's ambitious and necessary carbon emission reduction goals.

For Hawaii to meet its target to sequester more greenhouse gases than the state emits as soon as practicable but no later than 2045, it is imperative that measures such as a carbon tax, with mechanisms to balance and support the variety of economic, social, and environmental challenges faced by our state, be considered.

Pursuant to Act 122 (2019), HSEO initiated a carbon pricing study, the results of which indicated a carbon cashback program, such as the refundable tax credit proposed by HB 2278, HD1, would support environmental, economic, and social justice objectives. HSEO notes the study concludes the carbon tax would substantially reduce the consumption of fossil fuels and that distributing most of the tax revenues to Hawaii's households in the low tax scenario would create a net financial benefit to most of Hawaii's households, with the largest net financial benefit to low-income households.

HSEO appreciates the benefits of the recommended refundable tax credit as an effective means of mitigating the impact of potential increased energy costs, especially for low to moderate income households.

HSEO looks forward to working with the Legislature, agencies, and stakeholders to support the State's decarbonization goals, and defers to the appropriate agencies for comment on tax administration.

Thank you for the opportunity to testify.