



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

(808) 587-3807
energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

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8:50 AM
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COMMENTS
HB 1639
RELATING TO A CARBON TAX ON AVIATION FUEL.

Chair Lowen, Vice Chair Marten, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on HB 1639, which imposes a state carbon emissions tax of \$6.25 per ton of carbon dioxide equivalent emissions on all aviation fuel, directs the aviation fuel tax into the airport revenue fund, and implements a tax credit to mitigate the effects of this tax on lower income taxpayers.

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.

According to the Climate Action Network (CAN) and International Coalition for Sustainable Aviation (ICSA), "The aviation sector is a top-ten global emitter whose emissions are expected to rise dramatically by mid-century. Under current scenarios, the aviation sector could emit 56 GtCO₂ over the period 2016-2050. ... It is critical that the global aviation sector contribute its fair share towards achieving a 1.5°C future. ... Aviation emissions are 2.1% of the global share, but when non-CO₂ effects are included, aviation contributes an estimated 4.9% to the global warming problem. Hence,

the global aviation sector must have both zero CO₂ emissions and zero non-CO₂ effects on the climate by the end of the century.”¹

In Hawai'i, aviation accounted for nearly 23% of net greenhouse gas (GHG) emissions (including sinks) in 2017.² This demonstrates the disproportional impact the sector has on the state's GHG emissions. Recognizing its vulnerability to the acute effects of climate change, Hawai'i has emerged as a climate leader, setting the aggressive and necessary statewide target to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as practicable, but no later than 2045.

An aviation fuel tax invites those that travel to Hawai'i to partner with residents to reduce the harmful impacts of aviation and continue progress towards the State's carbon negative target.

The Hawai'i Department of Taxation reports the 2021 liquid fuel tax base for aviation fuel to be 258,227,618 gallons.³ A \$0.0522 per gallon tax on this volume would provide more than \$13 million in collections annually, which could be used towards the development and implementation of sustainable aviation projects.

HSEO stands ready to partner with stakeholders in identifying innovative approaches to keeping Hawai'i connected with the world, while protecting and preserving Hawai'i's unique and limited natural resources. All sectors need to contribute for Hawai'i to achieve a resilient, clean energy, decarbonized economy.

HSEO defers to the appropriate agencies for comment on tax administration.

Thank you for the opportunity to testify.

¹ Climate Action Network (CAN) and International Coalition for Sustainable Aviation (ICSA) Joint input to the Talanoa Dialogue.

https://unfccc.int/sites/default/files/resource/156_CAN%20ICSA%20Aviation%20TD%20submission.pdf

² State of Hawai'i. Department of Health. Hawai'i Greenhouse Gas Program, Emissions Report for 2017. https://health.hawaii.gov/cab/files/2021/04/2017-Inventory_Final-Report_April-2021.pdf

³ State of Hawai'i. Department of Taxation. Current Monthly Tax Reports. Liquid Fuel Tax Base and Collections. Jan-Dec 2021. https://tax.hawaii.gov/stats/a5_3txcolrpt/