



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

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8:30 AM
State Capitol, Conference Room 325 and Videoconference

Providing COMMENTS on
HB 199

RELATING TO THE ENVIRONMENT.

Chair Lowen, Vice Chair Cochran, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on HB 199 which establishes a zero-emission vehicle fleet purchasing assistance program within the Hawaii State Energy Office to make financing tools available to help Hawaii's private fleets transition to zero-emission vehicles.

HSEO supports the intent of HB 199 as the purpose is consistent with the energy and decarbonization policies of the State and HSEO programs and activities. In 2021, the Governor signed Act 74 to transition the State's light-duty fleets to zero-emission vehicles by 2035.¹ For Hawaii to meet its goal to be carbon negative, private fleets will also need to adopt zero-emission technologies wherever technically feasible. Innovative financing tools can help private fleets overcome barriers to zero-emission technology adoption.

The State has already begun implementing innovative financing tools on the public sector side. The Hawaii Department of Transportation (HDOT), in collaboration with the Hawaii State Procurement Office and HSEO, spearheaded an innovative financing contract for adoption of ZEVs and EVSE. Vehicles, fueling infrastructure, and energy can be provided on a dollar per mile basis mitigating upfront capital and operation and maintenance costs, concerns that serve as significant barriers to EV adoption. The service is available for all State and county agencies.

¹ https://www.capitol.hawaii.gov/slh/Years/SLH2021/SLH2021_Act74.pdf

Direct assistance typically in the form of grants or rebates is also needed during the early stages of the EV market. HSEO, in collaboration with the Hawaii Department of Health Clean Air Branch (HDOH CAB), implements a rebate program that provides up to 45 percent of the cost of a zero-emission medium- and heavy-duty vehicle through the Diesel Replacement Rebate (DRR). DRR is funded through the U.S. Environmental Protection Agency's (EPA) Diesel Emission Reduction Act (DERA) and Volkswagen Settlement funds. By working together HSEO and DOH CAB are able to qualify for additional incentive dollars from the EPA through the DERA program to provide additional funding for DRR. HSEO is reviewing potential opportunities through the Inflation Reduction Act to leverage the framework of the DRR rebate to pursue additional federal funds and technologies.

Another example of innovative vehicle financing is California's CalCAP loan loss reserve program, which provides lenders that finance new low-emission diesel trucks up to 100% coverage on losses from certain loan defaults.² The program has helped finance trucks with loan guarantees for an average of about \$5,000 per vehicle.

HSEO is continuing to review HB199 and has reached out to relevant agencies for input. HSEO is looking into the program requirements as well as what institutions and agencies are structurally set up with the tools and expertise in financial instruments to develop and implement such a program, much like the California Treasurers Office implements California's CalCAP new diesel truck loan guarantee program. HSEO also has concerns that a timeline to research, develop, and launch a program by January 1, 2024, is too compressed and that a funding source has not been identified for the financial instruments. HSEO stands ready to work with the legislature, government agencies, and stakeholders of how best to structure a program that meets the intent of HB 199.

Thank you for the opportunity to testify.

² <https://www.treasurer.ca.gov/cpcf/calcap/arb/index.asp>.