

Honolulu, Hawaii
FEB 15, 2008

RE: H.B. No. 3444
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 3444 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to commit significant financial resources to developing a long-term energy strategy and energy security for the State.

Specifically, this measure:

- (1) Establishes the energy security special fund for the purpose of funding the energy program within the Department of Business, Economic Development, and Tourism and projects that develop economical energy resources, provide energy security, and promote energy self-sufficiency for the State; and
- (2) Establishes the energy security tax of 15 cents per barrel, to be paid by distributors of petroleum products on each barrel of petroleum product sold in the State, and which shall be deposited into the energy security special fund.

Testimony in support of this measure was submitted by the Hawaii Renewable Energy Alliance. Comments on this measure were



submitted by the Department of Business, Economic Development, and Tourism and the Department of Taxation.

Your Committee believes that establishing economical energy sources, promoting energy self-sufficiency, and providing energy security are critical elements of a long-term energy strategy for the State. Your Committee further finds that the federal funds that have helped support the State's energy program are diminishing and are expected to be exhausted within the next three to four years. In order to continue to fund the energy program, additional sources of funds must be located; however, the State's ability to make up the shortfall on its own may be limited.

Your Committee acknowledges concerns over the possible effects of new taxes; however, it believes that an appropriate source of funding for the energy program is through a tax on petroleum products sold in the State. Your Committee further believes that the effect of the tax increase on Hawaii consumers may be minimal. For example, the \$.15 increase on a barrel of oil equals \$.0036 per gallon of fuel. The annual cost per resident of Hawaii, using the de facto population, is approximately \$3.85, or less than a cup of tall Starbuck's specialty coffee. This additional cost can be mitigated by promoting simple energy efficiency and conservation measures that may actually accrue to greater savings for Hawaii consumers. Furthermore, your Committee finds that tax revenue collected under this program should also be used as a source of funding for the energy systems development special fund.

Accordingly, your Committee has amended this measure by:

- (1) Expanding the purpose section to provide greater background on the issues and explain the expected ramifications of this measure;
- (2) Deleting the energy security tax;
- (3) Amending section 243-3.5, Hawaii Revised Statutes, to rename the environmental response tax the "environmental response and energy security tax";
- (4) Increasing the environmental response and energy security tax from 5 cents per barrel to 20 cents per barrel;



- (5) Allocating environmental response and energy security tax revenue collected from each barrel as follows:
 - (A) 5 cents per barrel to be deposited into the environmental response revolving fund;
 - (B) 12.5 cents per barrel to be deposited into the energy security special fund; and
 - (C) 2.5 cents per barrel to be deposited into the energy systems development special fund;
- (6) Deleting energy conservation and alternative energy development from the uses of the environmental response revolving fund; and
- (7) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3444, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3444, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



HERMINA MORITA, Chair



