

Proposed State Carbon Tax for Hawai'i

Barry D. Solomon, Ph.D

Professor Emeritus, Michigan Technological University

Member, Citizens' Climate Lobby, Maui Chapter

Background

- Climate Scientists Widely Agree that Pricing Carbon Emissions is Essential to Effective Greenhouse Gas Reduction
- However, while 40 Countries (incl. Canada) & 20 Municipalities have Carbon Taxes, the U.S. Doesn't
- If Law is enacted, Hawai'i would be 1st State in the Nation with Carbon Tax!

Background, cont.

- Carbon Tax would impose User Fee on CO₂ Emissions from Oil, Natural Gas & Coal
 - Tax rate typically based on Emission Rate when the Fuels are Used, to Discourage Emissions
- Coal should have Highest Fee, Gas the Lowest, Oil in-between
- Tax/Fee would be Collected by Government
 - Depending on Specific Proposal, Sometimes Refunded to Consumers

Hawaii: The Proposal

- Senate Bill 3150 SD2 amends the Environmental Response, Energy, and Food Security Tax to Address Carbon Emissions
- Tax Rate Not Set Yet; would rise from 2021 every 3 Years till 2030
- Income Tax Credit would be Given to Lower Income Taxpayers
- Bill Passed in Amended Form with 23-2 Vote on March 3, 2020
- (Another Carbon Tax Bill Died in 2019)

Hawaii: The Proposal, cont.

- Senate Bill Sent to House; Passed 1st Reading March 5, 2020
- Referred on March 9 to House Energy and Environmental Protection, then Finance Committees; Hearings Not Scheduled Yet
- If/When Passed the Final Tax Rates would be Set as well as Income Tax Refund Levels

Hawaii: The Proposal: Impacts

- Passage of Bill would make Oil Fired Power More Expensive on Maui (Coal used only on Oahu) but:
 - MECO Should Use more Solar PV & Wind, which are Lower Cost Power Sources!
- Price of very small quantity of Oil & Natural Gas Used for Heating & Cooking by Hotels, Restaurants & Homes would Rise
- Gasoline & Diesel Fuel Prices for Vehicles would also Rise
- Biofuel Prices would Rise Less (based on Oil Input)

Why Support This Bill?

- While Hawaii already has 100% Renewable Portfolio Standard for Electric Utilities (Maui expected to reach goal by 2040) it lacks:
 - Incentive for Early Retirement of Oil & Coal Fired Power Plants
 - Incentive for Faster Shift to Electric Vehicles
- Carbon Tax *Most Effective* Way to Increase Energy Efficiency & Lower Greenhouse Gas Emissions
- Alternative: Greenhouse Gas Cap & Trading, *Indirectly* Prices Carbon (in California, 9 Northeast U.S. States)

Why Support This Bill?

- Tax Phase-in Provision would Soften any Negative Economic Impact
- Tax Refund Provisions would Ensure that Carbon Tax Doesn't Adversely Affect Lower Income Taxpayers
 - Main Argument Against the Tax is that it Would be Regressive Toward this Group
- Passage would Show Leadership to Other States
 - Similar Bill Defeated in Washington in 2016 & 2018, carbon pricing under consideration in Oregon

How to Testify

- Monitor the 2 House Committees in State Legislature for Opportunity to Submit Testimony (Hearings Not Set Yet)
- Contacts: Energy & Environmental Protection Committee Chair, Nicole Lowen, replowen@Capitol.Hawaii.gov, 808-586-8400; Finance Committee Chair, Sylvia Luke, repluke@Capitol.hawaii.gov, 808-586-6200 or Maui reps Troy Hashimoto, rephashimoto@Capitol.Hawaii.gov, 808-586-9444 & Tina Wildberger, repwildberger@Capitol.Hawaii.gov, 808-586-8525; Wildberger also on Energy & Environmental Protection Committee

Questions?

- Followup:
- Barry Solomon, bdsolomo@mtu.edu, 808-868-0418