

Clean Energy Package Moves

Major clean energy initiatives need significant work in conference committee to be effective

STATE CAPITOL—Measures to reduce Hawaii’s dependence on imported oil are moving forward at the state legislature after passing a key floor vote yesterday. Bills to prohibit future fossil fuel-burning facilities, create funding for clean energy projects from a small per-barrel surcharge, provide incentives for electric vehicle infrastructure—among other clean energy measures—will now likely go to a legislative conference committee where the details of the bills will be finalized. Those details are critical, according to the Blue Planet Foundation, because the current forms of some bills fail to achieve their intent in fostering Hawaii’s clean energy future.

“Significantly reducing Hawaii’s dependency on foreign oil will not happen this session unless legislators make significant amendments to measures before them,” said Jeff Mikulina, Executive Director of the Blue Planet Foundation, an organization dedicated to making Hawaii energy independent. “The policy choices before the legislature could not be clearer. They are either choosing to rapidly transition to local clean energy sources or they are choosing to continue our dependence on imported oil.”

One key measure exemplifies the rift between strong and weak clean energy policy is HB 1464. The measure currently contains language to prohibit future coal and oil facilities, but it contains significant loopholes. The bill currently exempts Kauai from the ban until 2015—after they build their proposed new oil-fired combustion turbine. The bill also exempts “non-utility” generators, including many of the independent power producers who supply fossil-fired electricity to the grid. Finally, the bill exempts all fossil generators below 2 megawatts in size. The House version of the measure only prohibited facilities that “solely” used fossil fuel—opening up the possibility that just a token amount of renewable fuel could be used for future plants.

“Those who wish to continue to burn oil and coal have succeeded in weakening this bill,” said Mikulina. “If lawmakers are serious about weaning Hawaii from fossil fuels, the decision to fix this bill should be an easy one. Fossil fuels must not be part of Hawaii’s clean energy future.”

Analysis done by consultants hired by the State through the Hawaii Clean Energy Initiative demonstrated that new fossil fuel facilities are not necessary to achieve the state’s long-term energy objectives.

Promising measures remain alive at the State Capitol. Blue Planet is supportive of measures to set aggressive new targets for renewable energy generation and energy efficiency levels in Hawaii. Two bills (HB 1464, SB 1258) establish new “renewable portfolio standards” of 25% of total electricity sales in 2020 and 40% in 2030 (up from 20% in 2020) and the bills clarify that only renewable energy can count towards the goal. Similarly, two bills (HB 1464, SB 1173) create new energy efficiency portfolio standards that are equivalent to saving 30% of the anticipated statewide electricity demand in 2030.

“Blue Planet recognizes that these new goals, while important, will not alone make our clean energy future happen,” said Mikulina. “We need aggressive policies to make real change.”

One of those aggressive policies is the clean energy investment fund, currently contemplated in HB 1271. The bill establishes provides for a surcharge on each barrel of oil imported into Hawaii to be used for energy security and other uses. Blue Planet supports creating a \$5 per barrel surcharge (generating over \$200 million annually) for clean energy and energy efficiency uses.

“If we truly want to rapidly transition Hawaii away from imported oil, we have to be prepared to invest in that preferred future today,” said Mikulina. “This small surcharge will pay a handsome dividend to residents in energy savings year after year.”

Blue Planet believes the low oil price today presents a perfect opportunity to tap the source of our energy problem to fund our solutions—and create good, local, high-paying jobs in the process. The current version of the bill doesn’t specify the amount of the new barrel surcharge.

Lawmakers have an opportunity to forward a policy that would dramatically expand energy efficiency adoption statewide. The concept, “on-bill financing,” enables residents to pay for energy efficiency investments directly through the energy savings via their electricity bill—without making any upfront out of pocket investment. By eliminating the initial cost of energy efficiency investments, on-bill financing is one of the most powerful tools to increase adoption of smart energy technologies (such as solar water heating, photovoltaic, and efficient appliances). Unfortunately, the current version of SB 1173 only allows—and does not require—the new “public benefits fee administrator” to make on-bill financing a program offered to electricity customers. Blue Planet believes the program should simply be a standard feature for all ratepayers statewide.

Blue Planet is stressing to legislators the urgency in passing these clean energy measures this legislative session, as the price of oil may soon rebound. Additionally, an increasing amount of Hawaii’s oil originates in foreign sources. According to the Department of Business, Economic Development, and Tourism, Hawai’i imports 97% of its oil from non-U.S. sources, with approximately 1 in 4 barrels of oil coming from either Saudi Arabia or Libya. Oil is also imported from Vietnam, Indonesia, Brunei, Russia, China, Oman, and Thailand.

A listing of Blue Planet’s eight priority clean energy measures follows.

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1 – HB 1464 SD2 – Omnibus Energy Act: No New Fossil Fuel, Clean Energy and Efficiency Standards, Solar Roofs Fix

House Bill 1464 is an omnibus clean energy bill to accelerate clean energy development and efficiency in Hawai'i. The measure prohibits certain new fossil fuel facilities in the state, sets higher targets for Hawaii's renewable portfolio standards (also in SB 1258), clarifies provisions of Hawaii's renewable energy laws, establishes an energy efficiency portfolio standard, and amends Hawaii's Solar Roofs Act.

Preferred form:

Blue Planet suggests the following amendments for conference committee consideration to ensure that HB 1464 clearly sets Hawai'i on a clean energy path.

1. **No new fossil fuel.** The amendments made in the Senate Draft 1 inappropriately exempt Kaua'i from the fossil fuel prohibition until 2015 and make the prohibition apply only to "public utilities." We are concerned that these exemptions severely weaken the effectiveness of this policy and send a mixed market signal about Hawaii's preferred energy future. To ensure that this measure produces the intended outcome—a clear policy signal that fossil fuel is not part of Hawaii's energy future—it needs to be amended to clearly prohibit future fossil fuel facilities. This prohibition should include facilities of any sort, including those that sell electricity to the utility. Fossil fuels are simply not part of Hawaii's clean energy future. Hawai'i state policy should reflect our preferred energy future powered by clean, indigenous, renewable sources of electricity.
2. **Aggressive clean energy standards.** We support the language currently in HB 1464 SD2 in regards to new renewable portfolio standards, but believe that the measure could go further in setting the course for Hawaii's clean energy future. Hawaii's clean energy objectives should be clarified to state that the renewable portfolio standards can be met only with clean, indigenous, and renewable sources of energy. The bill should state that no imported biofuels qualify for the renewable portfolio standard. The existing "off-ramps" for the utilities failure to meet the standards should be deleted, and clear penalties for utilities' non-attainment of the clean energy standards should be established in the bill. Finally, while we appreciate the increased clean energy levels set by these measures, Blue Planet believes Hawai'i can be much more aggressive at increasing clean energy use. We suggest that the bills be amended to contain the following levels: 20% of net electricity sales by 2015; 30% by 2020; 40% by 2025; and 50% by 2030.
3. **Solar, not gas.** This measure amends last year's landmark Solar Roofs Act—which requires that most new homes in Hawaii come equipped with energy- and electricity-saving solar water heaters—by clarifying that the tax credit for existing home retrofits remains and making other housekeeping amendments. Blue

Planet believes that it is critically important that HB 1464 removes the gas water heater variance currently allowed in the Solar Roofs Law. We fear that the current language in the law may provide a loophole and create new all-gas subdivisions (particularly if the Gas Company provides free or greatly reduced cost appliances to new developers to encourage gas use). The on-demand gas option should only be allowed (and perhaps required) if the first and second variances are met—that is, the home has poor solar resource and solar would fail the cost-effectiveness test. Since the law takes effect in 2010, we have only a narrow window this year to tweak the measure to make sure it accomplishes its intended goals.

2 – HB 1271 SD2 – Clean Energy Investment Funding

This measure provides for a surcharge on each barrel of oil imported into Hawaii to be used for energy security and other uses. While we all likely agree that we need to aggressively increase our clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it without funding for planning, implementation, development, and funding. House Bill 1271 wisely taps the source of our problem—imported oil—to fund clean energy programs. If we truly want to rapidly transition Hawai'i to energy independence, we have to be prepared to invest in that preferred future today. We cannot afford to wait until the economy recovers and the price of oil returns to triple-digits as it did last summer. The low oil price today presents a perfect opportunity to tap the source of our energy problem to fund our solutions—and create good, high-paying jobs in the process.

Preferred form:

Blue Planet supports amending this measure so that it establishes a \$5 per barrel surcharge (providing over \$200 million annually) to provide significant funding for energy efficiency and clean energy investment. We would like to see the majority of the surcharge applied to a Clean Energy Investment Fund used to vastly increase the capacity of the energy efficiency public benefit funds administrator (with a particular focus on low income), including increasing and adding efficiency incentives such as appliance buy-back programs, free home energy audits, solar water heater and compact fluorescent / LED rebates, and other efficiency programs. To do this would require a special fund that the public utilities commission could direct accordingly under HRS §269.

3 – SB 1260 HD1 – Removing Fossil Fuel Loophole

Senate Bill 1260 closes a loophole in Hawaii's existing Clean Air Act that actually allows large polluters to pay LESS per ton of air emissions they create. In establishing clean energy policies, one of the first places to fix is laws that provide a perverse incentive to do the wrong thing. Under Chapter 342B-29, covered source permit holders pay per ton of pollution emitted annually. These fees fund the Department of Health's (DOH) Clean Air Branch and other programs. Covered source permit holders, however, are not assessed fees for any tons of

pollutants beyond 4,000 tons. The current law is not only unfair to covered source permit holders that emit less than 4,000 tons, it provides disincentive to reduce pollution that exceeds 4,000 tons annually. Eliminating this clause would eliminate another subsidy for fossil fuels, enabling clean energy sources to compete more fairly. Moreover, the DOH environmental division and the State Energy Office is short of resources and staff to implement environmental and clean energy projects and manage the new greenhouse gas limit task force and rulemaking process. By removing this loophole in the Clean Air Act, additional funds could be provided for these purposes.

Preferred form:

We support SB 1260 HD1 as currently drafted.

4 – SB 1202 HD2 – Electric Vehicles Incentives

Electric vehicles (EV) will play a major role in Hawaii's energy independence by making use of clean, indigenous sources of electricity and serving as energy storage devices when they are plugged into the grid. Incentives are needed to overcome the "chicken and the egg" problem of customer EV adoption; if residents know that infrastructure is coming, they will feel more comfortable about investing in a vehicle. Electric vehicles will likely play an integral role in Hawaii's clean energy future. By using stored electrical energy, EVs can take advantage of intermittent solar, wind, and other clean energy resources. Most vehicles sit idle 22+ hours of the day, so they become *de facto* energy storage devices if their batteries are plugged into the grid when they are not in use. With smart grid infrastructure in place, EVs become an essential component to electricity load and clean energy resource balancing—in addition to providing clean mobility solutions for Hawai'i residents.

Preferred form:

We support the language currently in SB 1202 HD2 (with an appropriate start date), but would prefer if it contained additional incentives to promote our clean energy future. Blue Planet supports amending SB 1202 HD2 with earlier language to provide income tax credits for electric vehicle charging infrastructure and alternative refueling infrastructure. Additionally, we support amending this measure to establish preferential electricity rates to encourage EV charging off-peak with electricity from clean energy sources. Such a policy would support three clean energy goals: encouraging EV use, increasing clean energy consumption, and leveling out the electricity demand on the grid.

5 – SB 1173 HD3 – Energy Efficiency Standards and On-Bill Financing

Senate Bill 1173 contains provisions to accelerate the efficient use of electricity in Hawai'i. Energy efficiency—efficient lights, appliances, electronics, behavior changes, and the like—is the largest, cheapest, safest, and fastest energy option that Hawai'i can implement. Senate Bill 1173 currently directs the public utilities commission (PUC) to establish energy efficiency portfolio standards equivalent to 30% of the anticipated statewide electricity demand in 2030.

Similar to the new clean energy efficiency standards, a statewide energy efficiency portfolio standard will send a clear policy and market signal about Hawaii's preferred energy future. Further, establishing incentives and penalties today—as these bills direct the PUC to do—will ensure that Hawai'i stays on track to achieve these goals. Senate Bill 1173 also helps encourage energy efficient upgrades by requiring home sellers to disclose the past three months of utility bills to new buyers. Finally, this measure provides for a Building Energy Efficiency Revolving Loan Fund within DBEDT (likely funded through stimulus monies) to provide low or zero-interest loans or other financial assistance to public, private, and nonprofit borrowers for making energy efficiency improvements in buildings.

Preferred form:

We support the language currently in SB 1173 HD3 (with an appropriate start date), but believe it would be more effective if the measure directed the PUC to require that the new public benefit funds administrator provide an on-bill financing program (or pay-as-you-save) for Hawai'i ratepayers. On-bill financing—paying for energy efficiency investments directly through the energy savings via one's energy bill—makes energy efficiency far easier and more affordable to Hawai'i residents. By eliminating the up-front cost of energy efficiency investments, on-bill financing is one of the most powerful tools to increase adoption of smart energy technologies and appliances. By eliminating the up-front cost and enabling residents to pay for the investment through the energy savings over time through on-bill financing, adoption of efficiency and clean energy will accelerate. Blue Planet believes on-bill financing should simply be a standard feature for all ratepayers statewide.

6 – HB 1270 SD2 – Removing the Cost Cap on Clean Energy

This measure removes a potential barrier to investment in new clean energy sources by allowing the public utilities commission to approve the purchase of renewable electricity that may be more expensive than the cost of fossil fuel-produced electricity. With the highly volatile price of petroleum, the “avoided cost” of fossil-produced electricity is difficult to calculate and makes long term energy planning difficult.

Preferred form:

The current language in HB 1270 SD2 is the preferred form.

7 – HB 1273 SD2 – Right to Dry Clothes

Everyone's favorite bill, HB 1273 (language also in SB 1338) ensures that Hawai'i homeowners have the choice to save money and save energy by using a clothesline to dry their clothes. The measure disallows homeowner association codes and covenants that prevent the effective use of a clothesline. Given the cost of electricity and urgent need to move toward energy independence, Hawai'i homeowners should have the choice to save money and save energy by using the hot sun and trade winds to dry their clothes. This may sound frivolous, but considering that the average family produces over one ton of greenhouse gas annually from typical electric

clothes dryer usage, any restriction on clothesline use seems inappropriate. Clotheslines can also save substantial amounts of money. Families switching to a clothesline can expect to save hundreds annually on their electricity bill.

Preferred form:

Blue Planet prefers the current language in HB 1273 SD2. The current form (unlike the House version) makes it clear that homeowners can use a clothesline for its intended purpose—drying clothes. The House version simply disallows prohibition of a clothesline which may allow associations to restrict their use in such a way that they are ineffective.

8 – SB 464 HD2 – Increasing Private Investment in Clean Energy

Senate Bill 464 enables more residents and investors to use Hawaii's successful renewable energy tax credit by making it refundable with certain restrictions.

Preferred form:

Blue Planet supports the language currently in SB 464 (with an appropriate start date), but we would prefer that this measure be amended back to its original form that truly expanded the class of investors who can use the renewable energy tax credit, thereby attracting much more investment capital to renewable energy in Hawai'i. By leveraging private investment in clean energy, state tax incentives will yield numerous benefits through job creation, reduced dependency on imported fossil fuel, reduced greenhouse gas emissions, and economic development.