

Testimony of the
PRACTICAL POLICY INSTITUTE OF HAWAII
Monday, February 7, 2022
The Committee on Energy & Environmental Protection
8:50 AM State Capitol, Conference Room 325

Testimony in OPPOSITION to HB2278 and HB1639 RELATING TO A CARBON TAXES

Good morning Chair Lowen, Vice Chair Marten, and Committee members. My name is Clint Churchill, president of the Practical Policy Institute of Hawaii. Climate change is real, as should be obvious to all of us. But before heading further down the road, at high speed, approving every conceivable response to climate change, we should consider the implications and consequences of passing a bill of this magnitude. Our federal government has considered, but not passed, a carbon tax. No other state in the country has implemented a carbon tax. The time has come to pause on enacting taxes and other measures that will impact our residents, yet have a tiny, perhaps unmeasurable, impact on world climate change.

We all know that family members and friends have been leaving Hawaii for many years because of the rising cost of living. Last year marked the fifth year in a row that the state has shown a population out-migration, with the main reason cited being Hawaii's high cost of living. For Hawaii, this is a real problem, not some arbitrary goal of trying to keep the increase in world temperature to not more than two degrees some 80 years from now. By one estimate, even if we eliminated all CO2 emissions in the U.S., the impact would be less than 2/10 of one degree. Mother Nature will do what she does, which will likely be a continuation an eight hundred-year cycle of gradual temperature increase, and humans will adapt.

There can be no doubt that the proposed tax on each barrel of petroleum products will increase the cost of living in Hawaii, whether at the gas pump, in our electricity bills, or buried in the price of various other goods and services that incur the extra cost of this tax, should it be implemented. While the bill attempts to "sell" the tax by giving some 80% of it back to those who were taxed, this can only be characterized as a "scheme" for some other purpose. There is no mention in the bill about the cost implications to Hawaii's economy. An unintended consequences of further taxation of aviation fuel, a key element of our main industry, will be to raise the price of an airline ticket here, and impact tourism. There can also be no doubt that our residents will have to pay more for both inter-island travel and out-of-state trips as the airlines pass on this tax, if implemented. A fine way to treat our people and our visitors.

So what is the "other purpose" of this bill? Presumably to speed up the conversion from our petroleum-based energy and transportation economy to renewable energy and electric vehicles. But will it really get us all out of our gasoline cars and cause us to buy much more expensive electric vehicles? Very unlikely. And will it cause us to drive less because gas is more expensive? Picture a Makaha resident driving to Waikiki for a good job, not likely at all--and quite likely not qualifying for the refundable tax credit "scheme." And will it increase the pace at which HECO converts to renewable sources? Also not likely, with ratepayers paying the surcharge for decades as the hoped-for conversion drags along.

Legislators should also focus on the implications and complexity of the refundable tax credit "scheme." A large number of Hawaii's residents don't pay any income tax, so they will clearly lose out. And from the threshold level up to the median, this group will have to file a form and likely "furnish reasonable information to ascertain the validity of their claim," all as set forth in the bill and yet-to-be determined rules. How many in this group of taxpayers will likely keep such records and make such a claim? Then, for taxpayers earning the median and above, why bother? The inescapable conclusion is that this tax will add to the cost of living for at least one-half of our residents. Also not mentioned in the bill is the cost of administering this complex program; how can adding to our already high cost of government possibly be of benefit to Hawaii's residents?

This bill is a fine way to make things worse for Hawaii's residents for an illusory purpose. Hawaii's legislators should be addressing real problems, not adding to the challenges we already face. Thank you for your attention, and please vote NO on HB2278 and HB1639.