

**Greenhouse Gas Emission Reduction Task Force Meeting
(Act 234, Session Laws of Hawaii (SLH) 2007)
Meeting Minutes**

April 3, 2008

**No. 1 Capitol District Building, Room 436
250 S. Hotel Street, Honolulu HI 96813**

Task Force Members Present:

1. Ms. Estrella Seese, Designee for Co-Chair Theodore E. Liu, Director, Department of Business, Economic Development and Tourism (DBEDT)
2. Co-chair Laurence K. Lau, Deputy Director for Environmental Health, Department of Health (DOH)
3. Dr. Makena Coffman, Assistant Professor, University of Hawaii (UH) Department of Urban and Regional Planning
4. Mr. Mark Fox, Director, External Affairs, The Nature Conservancy of Hawaii (TNC)
5. Dr. Lorenz Magaard, Professor, University of Hawaii (UH) Department of Oceanography
6. Mr. Gary North, Senior Vice President, Matson Navigation Company.
7. Mr. Gareth Sakakida, Executive Director, Hawaii Transportation Association

Task Force Members Excused:

1. Co-Chair Theodore E. Liu, Director, Department of Business, Economic Development and Tourism (DBEDT)
2. Mr. Robbie Alm, Senior Vice President for Public Affairs, Hawaiian Electric Company, Inc.
3. Mr. Frank Clouse, Excellence in Refining Program, Tesoro Hawaii Refinery

Staff Members Present from DBEDT Strategic Industries Division:

Mr. Theodore (Ted) Peck, Acting Manager, Energy Policy and Planning Branch
Ms. Estrella Seese, Energy Economist
Ms. Karen Shishido, Energy Analyst

Staff Members Present from DOH:

Mr. Wilfred Nagamine, Clean Air Branch Manager
Mr. Barry Ching, Planner
Ms. Marianne Fuji Rossio, Engineer
Ms. Priscilla Ligh, Engineer
Mr. Scott Takamoto, Engineer

Representative from Attorney General's Office:

Mr. Gregg Kinkley, Deputy Attorney General

1. The meeting was called to order by Co-Chair Mr. Lau at 3:03. pm
2. Review of the Minutes of the March 6, 2008 Task Force Meeting and Consideration for Approval

- a. Mr. Lau suggested one change to the first sentence in item 3c on page 2, to read “TCR does not see itself as an entity that would receive reports for states without an agreement.”
 - b. A motion to approve was made by Mr. Mark Fox and seconded by Dr. Makena Coffman. The minutes were approved as amended.
3. Mr. Joel Levin of The Climate Registry gave a webinar presentation on The Climate Registry. This consisted of an overview of the program , the proposed reporting protocol, and benefits of becoming an official reporter.
- a. The four areas of focus were 1) Preserving right of states to set more stringent reduction requirements than the federal program 2) Role that states and localities should play in implementing the Federal reduction program 3) Role that states and localities can play in a Federal allowance program, including the distribution of funds 4) Role that states and localities can play in data management under Federal climate change programs.
 - b. Mandatory Reporting – Federal
 - o New federal mandatory reporting law:
 - o Include all sectors of economy
 - o First reporting year likely 2011 (maybe 2010)
 - o What does this mean for large emitters?
 - o Expect that you will be reporting your emissions
 - o Get engaged in the process now
 - o Climate Registry likely to strongly inform federal process
 - o Know and understand your GHG footprint
 - c. Benefits for TCR reporters:
 - o A cost effective means to measure GHG emissions
 - o Access to software and technical support
 - o Document early actions
 - o Prepare for federal reporting
 - o Education for employees on GHG emissions
 - o Recognition as a global environmental leader
 - o Get a seat at the table
 - o Save money on energy
 - d. Timelines:
 - o General Reporting Protocol
 - o Final version released March 31
 - o Verification protocol
 - o Final version scheduled for release May 1
 - o Software launch, fully operational: June 30
 - o Deadline for signing on as a founding reporter: May 1
4. Mr. Matt Riel, President and General Manager of AES Hawaii, Inc. gave a presentation on AES Hawaii’s carbon offset project entitled “AES Hawaii’s Voluntary CO2 Sequestration Project; The Creation of Paraguay’s Mbaracayu Forest Preserve.” Ms. Julie Gill, AES Pacific’s Director of Regulatory Affairs was the co-presenter. AES Hawaii owns and operates an Independent Power Producing

Cogeneration power plant located in the Campbell Industrial Park in Kapolei. A summary of the presentation follows:

a. Overview of AES Hawaii Operations

- Commercial Operation Date: September 1, 1992
- Customers / Products: HECO / 180 MWhrs/hr electricity
- Chevron / 30 klb/hr process steam
Hawaiian Cement / Fly Ash
- Power Producing Equip: 2 CFB boilers, 1 condensing steam turbine
- Primary Fuel: Bituminous coal (start-up fuel = #2 diesel)
- Alternate Fuels include Tire Derived Fuel
Spent Activated Carbon
Specified Used Oil
- Annual CO₂ emissions: 1.2 – 1.4 million tons of CO₂/yr
(or .33 - .4 million metric tons of Carbon/yr using a standard conversion of 3.67 tons of CO₂ : 1 ton of Carbon)

b. Project summary

- When AES was developing the AES Hawaii Plant in the late 1980's, it wanted to find a way to offset its CO₂ emissions from its operation
- AES learned of the destruction of rainforest through clear-cutting and burning and worked with The Nature Conservancy to find a project.
- The Nature Conservancy (TNC) partnered with Moises Bertoni Foundation (FMB) to execute the project creating the Mbaracayu forest Preserve.
- AES contributed \$.5M towards the purchase of the property and another \$1.5M toward the establishment of a trust fund to finance the ongoing operations of the preserve
- AES made this pledge to sequester at least 13.1 million metric tons of carbon in the forest biomass and soils to offset the emissions from the AES Hawaii plant over a 35 year period
This equates to approximately 47 million metric tons of CO₂ being sequestered over the 35 year period based on the standard conversion of 3.67 tons CO₂ : 1 ton of Carbon

c. Methodology for calculating CO₂ offset

- The following methodology was used to quantify how much CO₂ the Mbaracayu Forest Preserve sequesters
- Satellite imagery used to classify the vegetation type (by percentage) across the property
- Rendered 3 principle forest types; high, medium, and low
- Five sample plots (2000 m²) of each type laid out
- All trees > 10 cm diameter at breast height measured
- Stemwood volume of the trees are calculated using formulas
- Stemwood volume converted to stemwood biomass in metric tons
- Total sequestered carbon content calculated using standard constant of carbon content of the biomass. This methodology is still used and valid today.

- Various surveys resulted in total sequestration estimates ranging from 20 – 27 million metric tons of Carbon (or 72 – 97 million metric tons of CO₂). This nearly twice the amount of sequestration AES was seeking.
 - c. Other
 - AES Hawaii believes the Mbaracayu Forest Preserve was, and still is, a model for how to create and manage a forest preservation project for the purpose of sequestration of Carbon for the offset of CO₂ emissions
 - AES Hawaii requests that the Task Force give offset credit to AES Hawaii for the amount of Carbon being sequestered by the Mbaracayu Forest Preserve
5. Mr. Henry Curtis, Executive Director of Life of the Land, gave a presentation titled “Cultural Impact Analysis of Carbon Offsets.” A summary follows:
- a. There are concerns that offset projects do not result in a net sequestration of carbon dioxide. Forestry offsets may reduce impact from trees that would have been chopped down, but net CO₂ levels are still rising. Brazil ranks 4th globally, and Indonesia 3rd for greenhouse gas emissions due to deforestation.
 - b. Friends of the Earth, an environmental nonprofit organization, has alleged that the indigenous people who live in the region of the Mbaracayu Forest Preserve are essentially made to live outside the boundaries of the preserve. The rights of indigenous people must be considered in such offset projects, which often focus on biodiversity, as in this case. Maintaining the biodiversity of the region was the reason why The Nature Conservancy became involved with the Mbaracayu Forest Preserve.
 - c. Environmental justice can become problematic in air quality and climate regulations when implementation burdens socioeconomic groups differently. In many carbon reduction schemes being implemented and being proposed, there are clear winners and losers, with the economically challenged usually faring worse. Even “Clean coal” plants will pollute the communities where plants are sited.
 - d. California’s AB (Assembly Bill) 32 [which Act 234 is modeled on] includes a subcommittee on environmental justice. Life of the Land suggested a similar environmental justice provision for Act 234 but this was not included. In California, the environmental justice subcommittee expressed strong concerns that cap and trade rules will be decided in “back rooms” by polluters, marketers and financial experts, but not the affected communities.
 - e. The Task Force should be aware that a split may be developing along socioeconomic lines regarding the development of carbon reduction regimes. There is a need to aggressively lower greenhouse gases, but also to consider effects on communities.
6. Outreach Committee Update. The meeting was cancelled due to lack of quorum and will be rescheduled and re-noticed.
7. Analysis Committee Update.
- a. Committee chairperson Dr. Makena Coffman reported that the committee made recommendations on changes to be made to the Scope of Services of the Request for Proposals.

- Have inventory update be comparable and compatible with national and international standards in anticipation of federal rules in the future.
- Insert language including land use changes and sequestration” be added to read “Consideration of the relative contribution of each emission source, including land use changes and carbon sequestration to statewide GHG emissions and the potential for adverse effects on small businesses, and recommendation for a minimum threshold of GHG emissions below which emissions reductions requirements shall not apply.”
- Committee suggested that an item be added requesting the contractor to analyze and recommend an information management system for the state’s emissions and implementation of the work plan under Act 234.

8. Policy Committee Update

- a. Committee chairperson Mr. Mark Fox reported that the committee has the following recommendations for changes to the Scope of Services to the Request for Proposals,
 - The consultant should project business-as-usual emissions levels out to 2020 and also analyze the legislation and initiatives already underway to better understand the magnitude of the reductions needed and what sectors they are needed in.
 - The committee suggests that there should be flexibility for staff and Task Force members to review the consultant’s work plans as they are being developed.
 - Committee had a discussion which clarified provisions of Section 18 of Act 234, which specifies that DOH is authorized to charge fees to GHG sources pursuant to the Act, to be deposited into the Clean Air Special Fund. This differs from revenues that may be collected from GHG sources under any future regime proposed in the work plan such as carbon taxes or a cap and trade system. There have been some discussions at past TF and committee meetings about possible uses of fees, revenue, e.g. for revenue recycling, or climate change mitigation, but any such use would likely be fees collected from a future regulatory regime need to be approved by the legislature. Committee did not feel that substantive changes to the wording of the Scope of Services were needed following this discussion.

9. Future agenda items, scheduling, possible action on Committee recommendations, and housekeeping matters

- a. Staff said that recommendations will be taken into account when revising the final draft to submit to the Administrative Services (Contracts) Office. The TF will be notified of developments in the RFP process at subsequent committee and TF meetings.
- b. Mr. Fox expressed interest in hearing more about possible mitigation measures and uses for revenues under future regimes. He informed that TF that there is a resolution or bill currently in the legislature which calls for the formation of a task force for climate change mitigation.

- c. Dr. Coffman asked the TF whether (inventory) methodology used by the consultant should be specified as part of the scope of work or made part of the evaluation criteria.
10. Public Comment
- a. Ms. Kirsten Baumgart Turner, responding to item 9.c. above, commented that specifying a particular methodology may not bring the best results and highest quality proposal; she suggested that limiting options in this way may exclude cutting-edge or evolving methodologies.
 - b. Mr. Douglas Tom, DBEDT/Office of Planning, commented that outreach efforts will be of critical importance in the work of this task force. He related an example from the Coastal Zone Management Program which is currently implementing its Ocean Resources Management Plan. He stressed community involvement, particularly in cases where behavioral change and nonstandard policies are involved. He also mentioned that Congress will likely task the state Coastal Management Programs with climate change mitigation efforts.
 - c. Ms. Julie Gill of AES Inc. commented that she is involved with the Western Climate Initiative in California and would facilitate discussions with that group, or other entities, if the TF finds it helpful.
- d. Next Meeting
- a. The next meeting will be held on Thursday, May 1st, 2008 from 3:00-5:00 pm.
 - b. **The location will be Room 204 of the State Office Tower, 235 S. Beretania St., Honolulu.**