

CLIMATE CHANGE COMMISSION
CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR

VICTORIA KEENER, PH.D.,
CHAIR

ROSIE ALEGADO, PH.D.,
VICE CHAIR

July 12, 2021

The Honorable Rick Blangiardi, Mayor
530 South King Street, Room 300
Honolulu, Hawaii 96813

AND

The Honorable Tommy Waters,
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Mayor Blangiardi, Council Chair Waters, and Councilmembers:

SUBJECT: The Social Cost of Carbon

Pursuant to the Revised Charter of Honolulu (RCH) Section 6-107(h), the City and County of Honolulu ("City") Climate Change Commission ("Commission") is charged with gathering the latest science and information on climate change impacts to Hawaii. The Commission provides advice and recommendations to the Mayor, City Council, and executive departments as they look to draft policy and engage in planning for future climate scenarios as well as reduce Honolulu's contribution to global greenhouse gas (GHG) emissions.

In its *Climate Change and Financial Risk* guidance document adopted in 2020, the Commission outlined how projected changes in both the intensity and frequency of climate shocks and stressors necessitate considering emerging climate-related financial risks in all City operations. One way in which cities can incorporate both current and future risks from climate change into decision-making is through including the costs of GHG emissions to enable more comprehensive cost-benefit assessments, a practice more generally termed "carbon pricing." Research has shown that putting an appropriate price on GHG emissions is an effective way to incentivize their reduction in both production and consumer behaviors. Carbon pricing can be levied explicitly (i.e., in the form of a tax) or implicitly (i.e., in internal decision-making processes).

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The Commission has conducted research on operationalizing an internal carbon price to guide City decision-making that incorporates the Social Cost of Carbon (SCC). The Commission finds the following:

1. The City should adopt a carbon price to guide decision-making. This would allow, for example, more comprehensive cost-benefit assessment of City infrastructure investments and island-wide programs and policy. Hereby, this will be called an “internal carbon price.”
2. The internal carbon price should be updated to align with emerging federal policies. In the interim, it should be set at the Obama Administration’s federal Interagency Working Group on Social Cost of Carbon recommendations.
3. Higher carbon price pathways to achieve Hawai’i’s carbon negative target by 2045 should be considered and assessed in collaboration with state and relevant regional entities as a collective action problem.
4. The City should develop a methodology for calculating the impact of the carbon price in its direct and indirect fossil fuel purchases, for example, in transportation fuels and electricity costs. This should be coordinated, where appropriate, with the efforts of the Hawai’i Climate Change Mitigation and Adaptation Commission on this topic at to align sub-national efforts.
5. A City carbon price would help to anticipate economy-wide carbon pricing programs at either state or federal levels and should be regularly re-evaluated. Adoption of a carbon price at state and/or federal levels would further enable City programs toward decarbonization.

If you have questions for the Commission regarding the information presented here, we can be reached at ccc@honolulu.gov.

Sincerely,



Victoria Keener, Ph.D.
Chair, Climate Change Commission

Attachment: The Social Cost of Carbon Guidance Document