

Hawaii Aloha by HPMA President Eric Wright

2022 Outlook: Cautiously Optimistic

The pandemic remains a top-of-mind issue for the Aloha State, nearly two years since it started. This past summer, there were promising signs Hawaii was on its way to economic recovery. As with other states across the nation, Hawaii residents were offered numerous incentives to be fully vaccinated.

With rising vaccine levels, the government lifted restrictions, leading to a tourism boom starting in the spring and running through the summer months. Domestic tourism exceeded pre-COVID-19 levels. This was due primarily to pent-up demand and thanks to the state's Safe Travels program that incorporated best practices in screening and testing protocols for travelers to our islands.

However, just as we were hitting our stride and building positive momentum, we encountered a setback. There was a rising surge of COVID-19 cases in the islands, primarily from the Delta variant among those who had not yet been vaccinated. Government restrictions were re-instituted and travel to and from the state was discouraged. The visitor industry suffered millions of dollars in cancellations and this negatively reverberated throughout our entire island economy, which is heavily dependent upon the ongoing influx of visitors.

Fortunately, the COVID-19 case numbers are now under control again, and restrictions on indoor and outdoor gatherings have begun to loosen. That means we can expect more visitors, and more Hawaii residents will be driving again. We hope this time we remain on a steady trajectory, but the pandemic has shown us the importance of being nimble, adaptable and to always expect the unexpected. Those of us in the petroleum marketing sector are cautiously optimistic about the outlook for 2022.

Tax Policy

In Hawaii, we often encounter legislation with conflicting values. Just when the local economy needs a badly needed shot in the arm, our legislature considered imposing additional taxes on Hawaii businesses. Fortunately, most of these items did not survive a Gubernatorial veto.

Some legislators are considering a tax on all carbon dioxide emitting fuels, such as oil, gas, and coal to reduce greenhouse gas emissions. This carbon tax bill was introduced earlier this year but was not heard. We anticipate it will resurface in the 2022 legislative session.

It's important that we proceed carefully. Hawaii is generally considered to be the most expensive place to live in the nation. Further, our state already has fuel-based taxes, including those for environmental response, energy, and food security, colloquially known as the "barrel tax." Natural gas is not available in Hawaii, so we depend on oil for transportation and power generation.

Onslaught of Other Bills

There are numerous other bills on the horizon to tax or assess fees for air and ground transportation fuels that can negatively impact the resurgence of Hawaii's visitor industry. Proposals include bills that establish a pollution assessment fee on rental cars, a rental motor vehicle emission surcharge and a number of carbon offset bills — even though rental car fleets were drastically slashed during the pandemic. Still, we all know that we need to welcome tourists who use rental cars.

Minimum Wage Increase

Hawaii's working families may be hurting and would gladly welcome relief with a wage increase. However, such a move would affect the bottom line of all Hawaii's businesses, especially for those of us that have retail operations. We expect more robust conversations about the state's minimum wage increase in the next legislative session.

Relief in Sight?

We see our role as educating policy makers on the importance of liquid fuels in Hawaii's economy. The ability for us to efficiently and economically serve our customers is critical to the State's economy and well-being.

Next year will be a major election year for new state government leaders, including the governor. Every 10 years, following the U.S. Census results, Hawaii undergoes reapportionment to address the state's growing or shifting population and to ensure fair representation. This means all of the legislative seats will be up for vote. There will be no incumbents and we will be starting the 2023 legislative session with some new faces. As an industry, it will be an opportunity to build new relationships, while strengthening our ties with allies who understand the importance of approaching Hawaii's energy transformation in a thoughtful, deliberate and strategic manner.