
A BILL FOR AN ACT

RELATING TO BIOFUELS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that the State of Hawaii
3 has set a goal of achieving one hundred per cent clean energy by
4 the year 2045. Hawaii is the most fossil fuel dependent state
5 in the nation, which can be explained in large part by the
6 State's economic dependence on tourism and the military, as well
7 as the reliance on the shipping industry to deliver consumer
8 goods and industrial materials. Reducing Hawaii's reliance on
9 fossil fuels and getting one hundred per cent of the State's
10 energy from renewable resources will help Hawaii's economy by
11 keeping an estimated \$3,000,000 in the State that would
12 otherwise be spent on imported oil.

13 Biofuels could significantly advance the State's clean
14 energy goals. Biofuels use organic matter to produce a
15 predictable supply of green energy that can be stored in
16 presently used power plants and consumed locally by air, marine,
17 and ground transportation. Additionally, biofuels can be



1 locally produced, directly creating job growth in Hawaii's
2 energy, farming, and manufacturing industries. In May of 2016,
3 the sustainable biodiesel alliance provided a Pacific Biodiesel
4 plant with the first United States-based certification of
5 sustainability for a biodiesel plant. This certification
6 demonstrates that investing in biofuel technology can lead to
7 increases in the technology's efficiency, profitability, and
8 sustainability as a renewable energy source.

9 Act 202, Session Laws of Hawaii 2016, created a
10 nonrefundable tax credit for the production of renewable fuels,
11 including biodiesel, to be implemented through 2021. According
12 to Pacific Biodiesel President Robert King, Act 202, Session
13 Laws of Hawaii 2016, will encourage investment in renewable fuel
14 production in Hawaii, create jobs, provide clean energy
15 security, and fight climate change. In 2017, the legislature
16 unanimously adopted S.C.R. No. 121, Regular Session of 2017,
17 calling for a Hawaii green fuels initiative to increase jobs and
18 local food and biofuel feedstock production across the State.

19 Furthermore, increasing biofuel production may increase
20 food security for Hawaii. Currently, nearly ninety per cent of
21 Hawaii's food is imported, making Hawaii's population especially



1 vulnerable to shipping and food supply disruptions resulting
2 from natural disasters and other global events. Research
3 conducted by the World Bank in 2010 and ABF Economics in 2013
4 found no direct correlation between biofuels and elevated food
5 prices. Therefore, investing in biofuel production can improve
6 agricultural development and crop yields that are important to
7 Hawaii's food security without increasing costs for consumers.

8 The legislature further finds that as of January 2018, out
9 of all the positions currently funded by the energy security
10 special fund at the Hawaii state energy office under the
11 department of business, economic development, and tourism, there
12 are no positions clearly identified, staffed, and funded to:

- 13 (1) Facilitate the permitting process for renewable fuel
14 projects;
- 15 (2) Facilitate renewable fuel production; or
- 16 (3) Manage marine and air transportation renewable
17 replacement and energy efficiency.

18 None of the positions currently funded by the energy security
19 special fund include biofuels oversight in their job functions,
20 and none have air or marine transportation, which together
21 comprise over forty per cent of the State's petroleum



1 consumption, in their job descriptions. Additionally, an audit
2 of the Hawaii state energy office dated January 2018, notes that
3 little of the work being performed by Hawaii state energy office
4 staff members is visible or relevant to practitioners in
5 relevant fields who are attempting to achieve the State's
6 ambitious renewable electricity and transportation goals.

7 The purpose of this Act is to:

- 8 (1) Temporarily expand the availability of the renewable
9 fuels production tax credit by lowering the production
10 threshold, expanding the types of renewable fuel
11 eligible for the credit, increasing the total amount
12 of tax credits that can be claimed, and making the
13 original tax credit permanent; and
- 14 (2) Create a temporary renewable fuel facilitator position
15 within the department of business, economic
16 development, and tourism.

17 PART II

18 SECTION 2. Section 235-110.31, Hawaii Revised Statutes, is
19 amended as follows:

20 1. By amending subsection (a) to read:

21 "(a) As used in this section:



1 "Credit period" means a maximum period of five consecutive
2 years, beginning from the first taxable year in which a taxpayer
3 begins renewable fuels production at a level of at least
4 [~~fifteen~~] two billion five-hundred million British thermal units
5 of renewable fuels per calendar year.

6 "Net income tax liability" means income tax liability
7 reduced by all other credits allowed under this chapter.

8 "Renewable feedstocks" means:

- 9 (1) Biomass crops[+] and other renewable organic material,
10 including but not limited to logs, wood chips, wood
11 pellets, and wood bark;
- 12 (2) Agricultural residues;
- 13 (3) Oil crops, including but not limited to algae, canola,
14 jatropha, palm, soybean, and sunflower;
- 15 (4) Sugar and starch crops, including but not limited to
16 sugar cane and cassava;
- 17 (5) Other agricultural crops;
- 18 (6) Grease and waste cooking oil;
- 19 (7) Food wastes;
- 20 (8) Municipal solid wastes and industrial wastes;
- 21 (9) Water; and



1 (10) Animal residues and wastes,
2 that can be used to generate energy.

3 "Renewable fuels" means fuels produced from renewable
4 feedstocks, provided that the fuel:

5 (1) Is sold as a fuel in Hawaii; and

6 (2) Meets the relevant ASTM International specifications
7 or other industry specifications for the particular
8 fuel, including but not limited to:

9 (A) Methanol, ethanol, or other alcohols;

10 (B) Hydrogen;

11 (C) Biodiesel or renewable diesel;

12 (D) Biogas;

13 (E) Other biofuels; [e~~x~~]

14 (F) Renewable jet fuel or renewable gasoline[-]; or

15 (G) Logs, wood chips, wood pellets, or wood bark."

16 2. By amending subsection (b) to read:

17 "(b) Each year during the credit period, there shall be
18 allowed to each taxpayer subject to the taxes imposed by this
19 chapter, a renewable fuels production tax credit that shall be
20 applied to the taxpayer's net income tax liability, if any,



1 imposed by this chapter for the taxable year in which the credit
2 is properly claimed.

3 For each taxpayer producing renewable fuels, the annual
4 dollar amount of the renewable fuels production tax credit
5 during the five-year credit period shall be equal to 20 cents
6 per seventy-six thousand British thermal units of renewable
7 fuels using the lower heating value sold for distribution in
8 Hawaii; provided that the taxpayer's production of renewable
9 fuels is not less than [~~fifteen~~] two billion five hundred
10 million British thermal units of renewable fuels per calendar
11 year; provided further that the amount of the tax credit claimed
12 under this section by a taxpayer shall not exceed [~~\$3,000,000~~]
13 \$_____ per taxable year. No other tax credit may be claimed
14 under this chapter for the costs incurred in producing the
15 renewable fuels that are used to properly claim a tax credit
16 under this section for the taxable year."

17 3. By amending subsection (f) to read:

18 "(f) The total amount of tax credits allowed under this
19 section shall not exceed [~~\$3,000,000~~] \$_____ for all eligible
20 taxpayers in any calendar year. In the event that the credit
21 claims under this section exceed [~~\$3,000,000~~] \$_____ for all



1 eligible taxpayers in any given calendar year, the [~~\$3,000,000~~]
2 \$_____ shall be divided between all eligible taxpayers for
3 that year in proportion to the total amount of renewable fuels
4 produced by all eligible taxpayers. Upon reaching [~~\$3,000,000~~]
5 \$_____ in the aggregate, the department of business, economic
6 development, and tourism shall immediately discontinue issuing
7 certificates and notify the department of taxation. In no
8 instance shall the total dollar amount of certificates issued
9 exceed [~~\$3,000,000~~] \$_____ per year."

10 SECTION 3. Act 202, Session Laws of Hawaii 2016, is
11 amended by amending section 6 to read as follows:

12 "SECTION 6. This Act shall take effect upon its approval
13 and shall apply to taxable years beginning after December 31,
14 2016 [~~; provided that section 2 shall be repealed on December 31,~~
15 ~~2021~~]."

16 PART III

17 SECTION 4. Chapter 201, Hawaii Revised Statutes, is
18 amended by adding a new section to be appropriately designated
19 and to read as follows:

20 "§201- Renewable fuel facilitator; establishment;
21 duties. (a) There is established within the department of



1 business, economic development, and tourism the position of
 2 renewable fuel facilitator, which shall be a full-time,
 3 temporary position exempt from chapters 76 and 89. The
 4 renewable fuel facilitator shall possess a requisite level of
 5 knowledge and expertise in the areas of renewable fuel, state
 6 and county permitting processes, and management necessary to
 7 carry out the duties of the position. The salary of the
 8 renewable fuel facilitator shall not exceed \$100,000.

9 (b) The renewable fuel facilitator shall have the
 10 following duties:

11 (1) Facilitate collaboration between the Hawaii state
 12 energy office, department of agriculture, other state
 13 and federal agencies, county governments, nonprofit
 14 organizations, and private businesses to:

15 (A) Plan and implement renewable fuel projects;

16 (B) Streamline project permitting requirements and
 17 processes to better advance the realization of
 18 these projects; and

19 (C) Address the development of these projects and a
 20 biofuels supply chain based in Hawaii;



- 1 (2) No later than December 31, 2019, and each year
2 thereafter as appropriate, assess the implementation
3 of renewable fuel projects, including the projects':
4 (A) Effectiveness for:
5 (i) Producing clean energy, local food, local
6 value-added products, and reducing carbon
7 emissions; and
8 (ii) Reducing dependence on fossil fuels and load
9 on waste disposal infrastructure;
10 (B) Identification of:
11 (i) Production and economic connections between
12 biofuel and farming industries;
13 (ii) Possibilities for developing biofuel
14 production on vacant public, private, or
15 department of Hawaiian home lands land, or
16 any combination of the three;
17 (iii) Best practices for modernizing and
18 optimizing biofuel technology; and
19 (iv) Appropriate methods of pricing, valuing, and
20 delivering biofuels to businesses and
21 consumers; and



- 1 (C) Recommendations for a statewide program to
- 2 increase biofuel production and capacity,
- 3 including the potential number of jobs created by
- 4 increasing investment in biofuel production;
- 5 (3) Update the Hawaii bioenergy master plan developed and
- 6 prepared pursuant to Act 253, Session Laws of Hawaii
- 7 2007, to incorporate all recent and available data,
- 8 including but not limited to data on biofuels suitable
- 9 for military, aviation, and marine sectors; inputs for
- 10 biofuel, including waste stream feedstock and
- 11 dedicated crops; the federal renewable fuel standard
- 12 and comparable programs in other states; integrated
- 13 food and energy systems; the project permitting
- 14 process and facilitation; and other relevant data
- 15 determined by the department or recommended by experts
- 16 in the field;
- 17 (4) Catalog and provide information on suitable sites and
- 18 feedstock including waste stream feedstock as well as
- 19 agricultural and post-consumer materials;
- 20 (5) Develop and maintain communication and education
- 21 materials;



- 1 (6) Coordinate with the renewable energy facilitator to
- 2 facilitate project planning and permitting;
- 3 (7) Maintain current technical information on conversion
- 4 and refining technologies suitable for island
- 5 economies and material flows;
- 6 (8) Survey and report on relevant fuel distribution
- 7 systems and standards in the State, including
- 8 distribution via pipeline, barge, or vehicle;
- 9 (9) Convene federal, state, and county agencies,
- 10 nongovernmental organizations, industry practitioners,
- 11 and interested members of the general public to:
- 12 (A) Identify cost inputs to renewable fuel production
- 13 and distribution; and
- 14 (B) Identify, communicate, and prioritize methods to
- 15 reduce cost and improve efficiency and yield of
- 16 renewable fuel projects and project proposals;
- 17 (10) Administer the day-to-day coordination for renewable
- 18 fuel projects on behalf of the department; and
- 19 (11) Submit periodic reports to the legislature on
- 20 renewable energy facilitation activities.



Report Title:

Renewable Fuel Tax Credit; Renewable Fuel Facilitator

Description:

Increases the renewable fuel tax credit cap and makes the tax credit permanent. Creates a renewable fuel facilitator position within the Department of Business, Economic Development, and Tourism. Requires reporting to the Legislature. Applies to taxable years after 12/31/2017. Sunsets on an unspecified date. (SB3077 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

