
A BILL FOR AN ACT

RELATING TO ENERGY.

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

1 SECTION 1. The legislature finds and declares that Hawaii
2 has struggled for thirty years to develop renewable energy
3 resources of energy in order to reduce its dependence on
4 imported fossil fuels and imported sources of energy. In 1974,
5 the legislature passed a series of Acts that recognized the
6 vulnerability of Hawaii's residents to the petroleum industry as
7 a result of its reliance on imported oil for transportation
8 fuels and power generation. Over the thirty years that
9 followed, the legislature has continued to enact laws and
10 appropriate funds to further develop alternative sources of
11 energy.

12 In 2006, the legislature passed Act 240, groundbreaking
13 legislation to promote energy self-sufficiency for the State.
14 Act 240 promoted further development of renewable energy,
15 including increased financial incentives, mechanisms for
16 dedicated sources of funding, and development of hydrogen as a
17 renewable energy source. While progress has been made, there is
18 still much to be done.



1 In 2006, the legislature adopted House Concurrent
2 Resolution No. 195, calling for a study of the feasibility of
3 development of biofuels as a renewable energy, primarily for
4 electricity generation. The legislature recognized that land-
5 based development of crops for use in biofuels production for
6 Hawaii would achieve the objective of energy self-sufficiency.
7 The legislature also recognized that complex issues relating to
8 land acquisition, water supply, and investment risk would need
9 to be addressed before a viable and cost effective biofuels
10 program could be developed. The legislature finds that an
11 integrated approach must be undertaken to coordinate the various
12 industries and federal and state agencies to ensure the success
13 of any substantial investment into biofuels development.

14 The purpose of this Act is twofold. Part I statutorily
15 establishes the Hawaii natural energy institute of the
16 University of Hawaii at Manoa, defines its mission, and creates
17 the energy development special fund for the development of
18 renewable energy and end use energy efficient technologies,
19 including those that ameliorate peak demand problems. One of
20 the roles of this institute will be to manage the portfolio of
21 renewable energy and energy efficiency technology programs to
22 ensure an integrated approach, use its technical expertise to



1 advise state and federal agencies to maximize funding sources
2 and encourage private industry investments, and evaluate
3 Hawaii's efforts undertaken toward energy self-sufficiency.

4 Part II of this Act creates the biofuels development
5 revolving loan fund, administered by the Hawaii strategic
6 development corporation, with technical advice from the Hawaii
7 natural energy institute. The purpose of the loan fund is to
8 provide seed financing for commercially viable biofuel
9 development projects, pending adoption of a comprehensive plan
10 for Hawaii's energy self-sufficiency based, in part, on
11 biofuels.

12 PART I.

13 SECTION 2. Chapter 304A, Hawaii Revised Statutes, is
14 amended by adding a new subpart to part IV to be appropriately
15 designated and to read as follows:

16 " . Hawaii Natural Energy Institute"

17 **§304A-A Hawaii natural energy institute; structure;**
18 **function.** (a) There is established the Hawaii natural energy
19 institute at the University of Hawaii. The institute shall be
20 administered by a director to be appointed by the board of
21 regents upon recommendation by the president. The director of
22 the institute shall appoint the professional members of the



1 staff and other employees. The president and board of regents
2 shall have the same powers over the institute and its staff as
3 over the university and its facilities.

4 (b) The director of the institute shall coordinate the
5 institute's work with the energy resources coordinator in
6 carrying out duties pursuant to section 196-4 in the area of
7 research and development of renewable energy sources.

8 (c) The institute shall:

- 9 (1) Develop renewable sources of energy for power
10 generation and transportation fuels by coordinating
11 the activities of state agencies and working with
12 federal agencies and private entities;
- 13 (2) Conduct research and development of renewable sources
14 of energy;
- 15 (3) Demonstrate and deploy efficient energy end use
16 technologies, including those that address peak demand
17 issues;
- 18 (4) Aggressively seek matching funding from federal
19 agencies and private entities for its research and
20 development activities; and
- 21 (5) Report annually to the legislature, no less than
22 twenty days prior to the convening of each regular



1 session, on its activities, expenditures, contracts
2 developed, advances in technology, assessment and
3 analyses of state agencies and programs, and
4 recommendations for proposed legislation.

5 **§304A-B Advisory council to Hawaii natural energy**

6 **institute.** (a) The institute shall establish an advisory
7 council of seven members, appointed by the president from a list
8 of nominees submitted by the Hawaii energy policy forum and the
9 technology officer of the department of business, economic
10 development, and tourism. The members of the advisory council
11 shall be from the general public, organizations representing the
12 utility industry, technology providers, and environmental
13 groups. Members shall be selected on the basis of their proven
14 expertise and interest in the field of renewable energy. The
15 director of the institute and the energy resources coordinator
16 shall serve as ex officio nonvoting members of the advisory
17 council.

18 (b) The primary role of the advisory council shall be to
19 make recommendations to the director on the award of contracts
20 and grants funded through the institute.

21 (c) The advisory council may advise the director on
22 matters of strategic planning, goals and objectives, significant



1 initiatives of the institute, and other matters as determined by
2 the director.

3 **§304A-C Energy systems development special fund.** (a)

4 There is established the energy systems development special fund
5 for the purpose of developing an integrated approach and
6 portfolio management of renewable energy and energy efficiency
7 technology projects that will reduce Hawaii's dependence on
8 fossil fuel and imported oil and other imported energy resources
9 and move Hawaii toward energy self-sufficiency.

10 (b) The special fund shall be funded by:

11 (1) Appropriations from the legislature;

12 (2) Investment earnings, gifts, donations, or other income
13 received by the institute;

14 (3) A portion of any public benefit fees that may be
15 established and approved by the public utilities
16 commission pursuant to section 269-121; and

17 (4) per cent from the environmental response fund.

18 (c) The institute may use the special fund for the
19 following activities:

20 (1) Obtaining matching funds from federal and private
21 sources for research and development of renewable
22 energy sources;



- 1 (2) Awarding contracts or grants to develop and deploy
2 technologies that will reduce Hawaii's dependence on
3 imported energy resources and imported oil. Projects
4 may be commissioned that:
- 5 (A) Balance the risk, benefits, and time horizons of
6 the investment to ensure tangible benefits to the
7 Hawaii consumer, with priority given to short
8 term technology development;
- 9 (B) Emphasize innovative and renewable energy supply
10 and energy efficient end use technologies
11 focusing on environmental attributes,
12 reliability, and affordability;
- 13 (C) Enhance transmission and distribution
14 capabilities of renewable energy supply;
- 15 (D) Enhance reliability and storage capabilities of
16 renewable energy;
- 17 (E) Ensure that research, deployment, and
18 demonstration efforts build on existing programs
19 and resources and are not duplicated;
- 20 (F) Address critical technical and scientific
21 barriers to achieving energy self-sufficiency by



1 reducing dependence on imported oil and imported
2 energy resources;

3 (G) Ensure that technology used and developed for
4 renewable energy production and distribution will
5 be commercially viable; and

6 (H) Give priority to resources that are indigenous
7 and unique to Hawaii.

8 (3) Managing the portfolio of projects commissioned under
9 this subsection; and

10 (4) Conducting an evaluation of projects and activities
11 funded by the special fund, assessing, using objective
12 criteria, the degree to which the projects and
13 activities comport with and achieve stated objectives.
14 An evaluation shall be conducted at the end of the
15 third year after the effective date of this Act, and
16 thereafter every three years by a two-person panel of
17 independent energy and environmental technical experts
18 who are not affiliated with the Hawaii natural energy
19 institute. The panel shall report the results of its
20 evaluation to the legislature no less than twenty days
21 prior to the convening of the following regular
22 session."



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$10,000,000, for
3 fiscal year 2007-2008, and the same sum, for fiscal year 2008-
4 2009, to be deposited into the energy systems development
5 special fund pursuant to section 304A-C.

6 SECTION 4. There is appropriated out of the energy systems
7 development special fund the sum of \$10,000,000, or so much
8 thereof as may be necessary for fiscal year 2007-2008, and the
9 same sum, or so much thereof as may be necessary for fiscal year
10 2008-2009, to be used for the purposes of the energy systems
11 development special fund established pursuant to section 304A-C.

12 The sums appropriated shall be expended by the University
13 of Hawaii, Hawaii natural energy institute, for the purposes of
14 section 304A-C.

15 PART II.

16 SECTION 5. Chapter 211F, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§211F-A Biofuels development revolving loan fund. (a)

20 There shall be established the biofuels development revolving
21 loan fund, into which shall be deposited:

22 (1) Appropriations made by the legislature to the fund;



1 (2) Any gifts, donations, or contributions from public or
2 private sources;

3 (3) All interest earned on or accrued to moneys deposited
4 in the fund; and

5 (4) Any other moneys made available to the fund from other
6 sources.

7 (b) Moneys in the fund shall be used to provide low
8 interest or no interest loans for seed capital for, or to match
9 venture capital investments in, private sector and federal
10 projects for research, development, testing, and implementation
11 of the Hawaii biofuels program under section 196-A.

12 (c) The fund shall be administered by the Hawaii strategic
13 development corporation, and funding decisions shall be made
14 based upon technical advice and recommendations provided by the
15 Hawaii natural energy institute and its advisory council."

16 SECTION 6. Chapter 196, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§196-A Hawaii biofuels program. There is established,
20 within the department of business, economic development, and
21 tourism, a Hawaii renewable biofuels program to manage the
22 State's transition to energy self-sufficiency based in part on



1 biofuels for power generation and transportation fuels. The
2 program shall design, implement, and administer activities that
3 include:

- 4 (1) Strategic partnerships for the research, development,
5 testing, and deployment of renewable biofuels
6 technologies and production of biomass crops;
- 7 (2) Evaluation of Hawaii's potential to rely on biofuels
8 as a significant renewable energy resource;
- 9 (3) Biofuels demonstration projects, including
10 infrastructure for production, storage, and
11 transportation of biofuels;
- 12 (4) Promotion of Hawaii's renewable biofuels resources to
13 potential partners and investors for development in
14 Hawaii as well as for export purposes;
- 15 (5) A plan to implement commercially viable biofuels
16 development from year 2007 to 2010; and
- 17 (6) A mechanism to evaluate the biofuels development
18 plan."

19 SECTION 7. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$10,000,000 for
21 fiscal year 2007-2008, and the sum of \$10,000,000 for fiscal
22 year 2008-2009, to be deposited into the biofuels development



1 revolving loan fund pursuant to section 211F-A, Hawaii Revised
2 Statutes.

3 SECTION 8. There is appropriated out of the biofuels
4 development revolving loan fund the sum of \$10,000,000, or so
5 much thereof as may be necessary for fiscal year 2007-2008, and
6 the same sum, or so much thereof as may be necessary for fiscal
7 year 2008-2009, to be used for the purposes of providing loans
8 from the biofuels development revolving loan fund, established
9 pursuant to section 211F-A, Hawaii Revised Statutes.

10 The sums appropriated shall be expended by the Hawaii
11 strategic development corporation for the purposes of section
12 211F-A, Hawaii Revised Statutes.

13 SECTION 9. Act 235, Session Laws of Hawaii 1974, is
14 repealed.

15 SECTION 10. In codifying the new sections added by
16 sections 2, 5, and 6 of this Act, the revisor of statutes shall
17 substitute appropriate section numbers for the letters used in
18 designating the new sections in this Act.

19 SECTION 11. New statutory material is underscored.

20 SECTION 12. This Act shall take effect on July 1, 2007;
21 provided that section 304A-C, Hawaii Revised Statutes, shall be
22 repealed on June 30, 2012.



Report Title:

Hawaii Natural Energy Institute; Biofuels

Description:

Establishes the Hawaii natural energy institute at the University of Hawaii, with responsibilities for administering the energy development special fund. Creates the biofuels development revolving loan program administered by the Hawaii strategic development corporation. Makes appropriations.

