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## A BILL FOR AN ACT

RELATING TO BIOFUELS.

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

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

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



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

9 In 2016, the legislature passed and the governor signed  
10 into law Act 202, Session Laws of Hawaii 2016, which created a  
11 nonrefundable tax credit for the production of renewable fuels,  
12 including biodiesel, to be implemented over the next five years.  
13 According to Pacific Biodiesel, the measure will encourage  
14 investment in renewable fuel production in Hawaii, create jobs,  
15 provide clean energy security, and fight climate change. In  
16 2017, the legislature unanimously adopted Senate Concurrent  
17 Resolution No. 121, calling for a Hawaii green fuels initiative  
18 to increase jobs and local food and biofuel feedstock production  
19 across the State.

20 The legislature further finds that increasing biofuel  
21 production will increase food security for Hawaii. Currently,



1 nearly ninety per cent of Hawaii's food is imported, making  
2 Hawaii's population especially vulnerable to shipping and food  
3 supply disruptions resulting from natural disasters and other  
4 global events. Research conducted by the World Bank in 2010 and  
5 ABF Economics in 2013 found no direct correlation between  
6 biofuels and elevated food prices. Investing in biofuel  
7 production will improve agricultural development and crop yields  
8 that are important to Hawaii's food security without increasing  
9 costs for consumers.

10 The legislature further finds that the barrel tax may be  
11 used to fund biofuel production to develop a more robust biofuel  
12 supply chain that includes feedstock growth, harvesting and  
13 transport, feedstock pre-conversion and conversion technologies,  
14 and inclusion of biofuels into the statewide fuel distribution  
15 network.

16 The purpose of this Act is to expand the use of biofuels in  
17 achieving Hawaii's goal of becoming one hundred per cent clean  
18 energy dependent by 2045 and concurrently increase local food  
19 production.



1       SECTION 2. Section 196-2, Hawaii Revised Statutes, is  
2 amended by adding two new definitions to be appropriately  
3 inserted and to read as follows:

4       "Biofuels" has the same meaning as in section 269-91.

5       "Feedstock" means any renewable biological material that  
6 can be used directly as a fuel or converted to another form of  
7 fuel or energy product, including, but not limited to, tropical  
8 and subtropical agricultural crops."

9       SECTION 3. Chapter 196, Hawaii Revised Statutes, is  
10 amended by adding two new sections to be appropriately  
11 designated and to read as follows:

12       "§196-A Hawaii biofuel production loan program. (a)

13 There is established a Hawaii biofuel production loan program,  
14 which shall be a loan program as defined under section 39-51.

15 The program shall be administered by the Hawaii technology  
16 development corporation in a manner consistent with part III of  
17 chapter 39. This loan program may include loans made to public  
18 or private entities, whether corporations, partnerships, limited  
19 liability companies, or other persons; provided that such  
20 entities produce renewable fuels at a level of at least fifteen  
21 billion British thermal units per year.



(b) Loans from the Hawaii biofuel production loan program  
may be made for:

(1) Developing biofuel production on vacant commercial and  
agricultural land, whether publicly or privately  
owned;

(2) Increasing renewable feedstock production;

(3) Purchasing, repairing, modernizing, or optimizing  
biofuel technology, including biofuel conversion  
technology;

(4) Improving the efficiency of biofuel refinement;

(5) Delivering biofuels to businesses, refineries, or  
consumers;

(6) Providing start-up capital for new renewable  
feedstock, biofuel refinement, or biofuel production  
programs, which may be operated by public or private  
entities; and

(7) Streamlining permitting processes for biofuel  
production, refinement, or distribution projects.

(c) No later than July 1, 2020, the Hawaii technology  
development corporation shall provide loans to establish biofuel  
projects in at least two counties of the State. Projects



1 established pursuant to this subsection shall advance the  
2 State's goal of achieving one hundred per cent renewable energy  
3 consumption by 2045.

4 (d) The Hawaii technology development corporation may  
5 contract with any governmental or nongovernmental organization,  
6 including the state energy office and department of agriculture,  
7 for the purpose of implementing this section.

8 §196-B Hawaii biofuel production special fund. (a) There  
9 is established the Hawaii biofuel production special fund to be  
10 administered by the Hawaii technology development corporation,  
11 and into which shall be deposited:

12 (1) Allocation of funds from the environmental response,  
13 energy, and food security tax pursuant to section 243-  
14 3.5(a)(5);

15 (2) Private contributions;

16 (3) Interest earnings on all amounts in the Hawaii biofuel  
17 production special fund;

18 (4) Moneys received from federal grants, loans, and loan  
19 guarantees for the purpose of biofuel production,  
20 including, but not limited to, grants and loans



1           received from the United States Department of  
2           Agriculture; and

3       (5) All other funds received by the corporation and  
4           legally available for the purposes of the Hawaii  
5           biofuel production special fund.

6       (b) Moneys on balance in the special fund at the close of  
7 each fiscal year shall remain in the special fund and shall not  
8 lapse to the credit of the general fund.

9       (c) Not more than five per cent of the total amount of  
10 funds in the Hawaii biofuel production special fund may be used  
11 by the Hawaii technology development corporation for  
12 administrative expenses incurred in administering the special  
13 fund.

14       (d) Moneys in the Hawaii biofuel production special fund  
15 shall be used for the purposes of making loans in accordance  
16 with the Hawaii biofuel production loan program established  
17 pursuant to section 196-A.

18       (e) The Hawaii technology development corporation may  
19 invest funds held in the Hawaii biofuel production special fund  
20 in investments as permitted by law. All amounts in the Hawaii



1 biofuel production special fund shall be exempt from all taxes  
2 and surcharges imposed by the State or the counties."

3 SECTION 4. Section 206M-2, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) There is established the Hawaii technology  
6 development corporation, which shall be a public body corporate  
7 and politic and an instrumentality and agency of the State. The  
8 development corporation shall be placed within the department of  
9 business, economic development, and tourism for administrative  
10 purposes, pursuant to section 26-35. The purpose of the  
11 development corporation shall be to facilitate the growth and  
12 development of the commercial technology industry in Hawaii.  
13 Its duties shall include, but not be limited to:

- 14 (1) Developing and encouraging industrial parks as  
15 technology innovation centers and developing or  
16 assisting with the development of projects within or  
17 outside of industrial parks, including participating  
18 with the private sector in such development;
- 19 (2) Providing financial and other support and services to  
20 Hawaii-based technology companies;





- 1 (3) Collecting and analyzing information on the state of  
2 commercial technology activity in Hawaii;  
3 (4) Promoting and marketing Hawaii as a site for  
4 commercial technology activity; ~~and~~  
5 (5) Providing advice on policy and planning for  
6 technology-based economic development ~~[-]~~; and  
7 (6) Developing and funding projects that support the goal  
8 of the State to achieve one hundred per cent renewable  
9 energy consumption by 2045."

10 SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is  
11 amended by amending subsection (a) to read as follows:

12 "(a) In addition to any other taxes provided by law,  
13 subject to the exemptions set forth in section 243-7, there is  
14 hereby imposed a state environmental response, energy, and food  
15 security tax on each barrel or fractional part of a barrel of  
16 petroleum product sold by a distributor to any retail dealer or  
17 end user of petroleum product, other than a refiner. The tax  
18 shall be \$1.05 on each barrel or fractional part of a barrel of  
19 petroleum product that is not aviation fuel; provided that of  
20 the tax collected pursuant to this subsection:



- (1) 5 cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
- (2) 15 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;
- (3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169.1; ~~[and]~~
- (4) ~~[15]~~ 10 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10 ~~[+]~~; and
- (5) 10 cents of the tax on each barrel shall be deposited into the Hawaii biofuel production special fund established under section 196-B.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

SECTION 6. No later than twenty days prior to the convening of the regular sessions of 2019 and 2020, the Hawaii technology development corporation shall submit a report to the



1 legislature regarding the implementation of this Act. The  
2 report shall include information on:

- 3 (1) The establishment of biofuel projects in at least two  
4 counties in the State that advance Hawaii's goal of  
5 becoming one hundred per cent renewable energy  
6 dependent by 2045;
- 7 (2) Contracts and partnerships entered into by the  
8 corporation to implement the Hawaii biofuel production  
9 loan program;
- 10 (3) The impact of biofuel projects on clean energy  
11 production and carbon emissions reduction in the  
12 State;
- 13 (4) Identification of production and economic connections  
14 between the biofuel and farming industries;
- 15 (5) Identification of possible vacant commercial and  
16 agricultural land that may be used to increase biofuel  
17 production;
- 18 (6) Best practices for modernizing and optimizing biofuel  
19 technology;
- 20 (7) Appropriate methods of pricing, valuing, and  
21 delivering biofuels to businesses and consumers;



(8) The potential number of jobs created by increasing investment in biofuel production; and

(9) The role of biofuels in meeting the specifications of the Hawaii bioenergy master plan.

SECTION 7. In codifying the new sections added by section 3 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect upon its approval.

INTRODUCED BY:



JAN 19 2018



# H.B. NO. 2064

**Report Title:**

Hawaii Technology Development Corporation; Biofuel Production

**Description:**

Requires the Hawaii Technology Development Corporation to establish the Hawaii Biofuel Production Loan Program to make loans that further increases local food production and Hawaii's goal of becoming 100% renewable energy dependent by 2045.

Requires the Corporation to report to the Legislature on the implementation of the Hawaii Biofuel Production Loan Program.

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

