



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 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 through 2021. According  
13 to Pacific Biodiesel President Robert King, the measure will  
14 encourage investment in renewable fuel production in Hawaii,  
15 create jobs, provide clean energy security, and fight climate  
16 change. In 2017, the legislature unanimously adopted S.C.R. No.  
17 121, Regular Session of 2017, calling for a Hawaii green fuels  
18 initiative to increase jobs and local food and biofuel feedstock  
19 production across the State.

20 Furthermore, increasing biofuel production may increase  
21 food security for Hawaii. Currently, nearly ninety per cent of



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

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

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

19 None of the positions currently funded by the energy security  
20 special fund include biofuels oversight in their job functions,  
21 and none have air or marine transportation, which together



1 comprise over forty per cent of the State's petroleum  
2 consumption, in their job description. Additionally, an audit  
3 of the Hawaii state energy office dated January, 2018, notes  
4 that little of the work being performed by Hawaii state energy  
5 office staff members is visible or relevant to practitioners in  
6 the field attempting to achieve the State's ambitious renewable  
7 electricity and transportation goals.

8 The purpose of this Act is to:

- 9 (1) Expand the renewable fuel tax credit by increasing the  
10 total amount of tax credits that can be claimed and  
11 making the tax credit permanent; and  
12 (2) Create a renewable fuel facilitator position within  
13 the department of business, economic development, and  
14 tourism.

15 **PART II**

16 **SECTION 2.** Section 235-110.31, Hawaii Revised Statutes, is  
17 amended as follows:

18 1. By amending subsection (b) to read:

19 "(b) Each year during the credit period, there shall be  
20 allowed to each taxpayer subject to the taxes imposed by this  
21 chapter, a renewable fuels production tax credit that shall be



1 applied to the taxpayer's net income tax liability, if any,  
2 imposed by this chapter for the taxable year in which the credit  
3 is properly claimed.

4 For each taxpayer producing renewable fuels, the annual  
5 dollar amount of the renewable fuels production tax credit  
6 during the five-year credit period shall be equal to 20 cents  
7 per seventy-six thousand British thermal units of renewable  
8 fuels using the lower heating value sold for distribution in  
9 Hawaii; provided that the taxpayer's production of renewable  
10 fuels is not less than fifteen billion British thermal units of  
11 renewable fuels per calendar year; provided further that the  
12 amount of the tax credit claimed under this section by a  
13 taxpayer shall not exceed [~~\$3,000,000~~] \$3,500,000 per taxable  
14 year. No other tax credit may be claimed under this chapter for  
15 the costs incurred in producing the renewable fuels that are  
16 used to properly claim a tax credit under this section for the  
17 taxable year."

18 2. By amending subsection (f) to read:

19 "(f) The total amount of tax credits allowed under this  
20 section shall not exceed [~~\$3,000,000~~] \$3,500,000 for all  
21 eligible taxpayers in any calendar year. In the event that the



1 credit claims under this section exceed [~~\$3,000,000~~] \$3,500,000  
2 for all eligible taxpayers in any given calendar year, the  
3 [~~\$3,000,000~~] \$3,500,000 shall be divided between all eligible  
4 taxpayers for that year in proportion to the total amount of  
5 renewable fuels produced by all eligible taxpayers. Upon  
6 reaching [~~\$3,000,000~~] \$3,500,000 in the aggregate, the  
7 department of business, economic development, and tourism shall  
8 immediately discontinue issuing certificates and notify the  
9 department of taxation. In no instance shall the total dollar  
10 amount of certificates issued exceed [~~\$3,000,000~~] \$3,500,000 per  
11 year."

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

14 "SECTION 6. This Act shall take effect upon its approval  
15 and shall apply to taxable years beginning after December 31,  
16 2016 [~~, provided that section 2 shall be repealed on December 31,~~  
17 ~~2021]~~."

18 PART III

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



1           "§201- Renewable fuel facilitator; establishment;  
2 duties. (a) There is established within the department of  
3 business, economic development, and tourism the position of  
4 renewable fuel facilitator, which shall be a full-time,  
5 temporary position exempt from chapters 76 and 89. The  
6 renewable fuel facilitator shall possess a requisite level of  
7 knowledge and expertise in the areas of renewable fuel, state  
8 and county permitting processes, and management necessary to  
9 carry out the duties of the position. The salary of the  
10 renewable fuel facilitator shall not exceed \$100,000.

11           (b) The renewable fuel facilitator shall have the  
12 following duties:

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

17           (A) Plan and implement renewable fuel projects;  
18           (B) Streamline project permitting requirements and  
19 processes to better advance the realization of  
20 these projects; and



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

3            (2) No later than December 31, 2019, and each year  
4            thereafter as appropriate, assess the implementation  
5            of renewable fuel projects, including the projects':

6            (A) Effectiveness for:

7            (i) Producing clean energy, local food, local  
8            value-added products, and reducing carbon  
9            emissions; and

10           (ii) Reducing dependence on fossil fuels and load  
11           on waste disposal infrastructure;

12           (B) Identification of:

13           (i) Production and economic connections between  
14           biofuel and farming industries;

15           (ii) Possibilities for developing biofuel  
16           production on vacant public, private, or  
17           department of Hawaiian homelands land, or  
18           any combination of the three;

19           (iii) Best practices for modernizing and  
20           optimizing biofuel technology; and



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



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





# S.B. NO. 3077

**Report Title:**

Renewable Fuel Tax Credit; Renewable Fuel Facilitator

**Description:**

Increases the renewable fuel tax credit cap to \$3,500,000 and makes the tax credit permanent. Creates a renewable fuel facilitator position within the department of business, economic development, and tourism.

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