

JAN 20 2023

A BILL FOR AN ACT

RELATING TO GEOTHERMAL ROYALTIES.

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

1 SECTION 1. Chapter 182, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§182- University innovation and commercialization
5 initiative special fund; geothermal royalties. (a) There shall
6 be deposited into the university innovation and
7 commercialization initiative special fund established by section
8 304A-1963:

9 (1) Any excess of geothermal royalties annually
10 distributed to the State pursuant to section
11 182-18(a);

12 (2) Any excess of geothermal royalties annually
13 distributed to the county in which mining operations
14 covered under a state geothermal resource mining lease
15 are situated pursuant to section 182-7; and

16 (3) The remainder of all royalties received by the State
17 annually from geothermal resources; provided that



1 royalties received by the State shall not be from
2 geothermal resources that are located on lands under
3 the jurisdiction of the department of Hawaiian home
4 lands.

5 (b) The royalties in the university innovation and
6 commercialization initiative special fund shall be used by the
7 Hawaii groundwater and geothermal resources center to further
8 the discovery and development of geothermal resources.

9 §182- Annual report to legislature. No later than
10 twenty days prior to the convening of each regular session, the
11 board, each county in which mining operations covered under a
12 state geothermal resource mining lease are situated, and the
13 Hawaii groundwater and geothermal resources center shall submit
14 an annual report to the legislature regarding the use of the
15 distributed geothermal royalties."

16 SECTION 2. Section 182-7, Hawaii Revised Statutes, is
17 amended by amending subsection (c) to read as follows:

18 "(c) The payments to the State as fixed by the board shall
19 be specified; provided that:

20 (1) In the case of bauxite, bauxitic clay, gibbsite,
21 diaspore, boehmite, and all ores of aluminum, the



1 amount of royalties for each long dry ton of ore as
2 beneficiated shall not be less than twenty-five cents
3 or the equivalent of the price of one pound of virgin
4 pig aluminum, whichever is higher, nor shall it exceed
5 the equivalent of the price of three pounds of virgin
6 pig aluminum;

7 (2) The rate of royalty for ore processed into aluminous
8 oxide in the State shall be set at eighty per cent of
9 the rate of royalty for ore not processed to aluminous
10 oxide in the State; and

11 (3) The royalty shall be fixed at a rate that will tend to
12 encourage the establishment and continuation of the
13 mining industry in the State.

14 The prices of virgin pig aluminum for the purpose of
15 determining the royalties under this section shall be the basic
16 price on the mainland United States market for virgin pig, not
17 refined, f.o.b. factory. The royalties shall be in lieu of any
18 severance or other similar tax on the extracting, producing,
19 winning, beneficiating, handling, storing, treating, or
20 transporting of the mineral or any product into which it may be
21 processed in the State, and shall not be subject to reopening or



1 renegotiating for and during the first twenty years of the lease
2 term.

3 If the lessee desires to mine other minerals, the lessee,
4 before mining the minerals, shall notify the board in writing,
5 and the board and the lessee shall negotiate and fix the
6 royalties for the minerals.

7 Any other law to the contrary notwithstanding, thirty per
8 cent or \$600,000 of all royalties received by the State annually
9 from geothermal resources, whichever is less, shall be paid to
10 the county in which mining operations covered under a state
11 geothermal resource mining lease are situated; provided that if
12 the geothermal resources are located on lands under the
13 jurisdiction of the department of Hawaiian home lands, one
14 hundred per cent of royalties received by the State shall be
15 paid to the department of Hawaiian home lands."

16 SECTION 3. Section 182-18, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) The board shall fix the payment of royalties to the
19 State for the utilization of geothermal resources at a rate
20 [~~which~~] that will encourage the initial and continued production
21 of [~~such~~] the resources[~~-~~]; provided that the royalties



1 distributed annually to the State shall not exceed \$1,000,000.

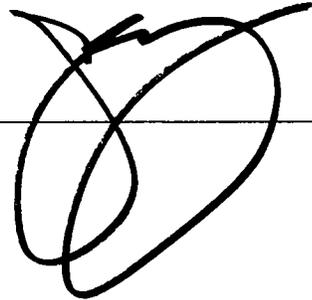
2 With respect to all geothermal mining leases previously issued
3 or to be issued, where the board determines that it is necessary
4 to encourage the initial or continued production of geothermal
5 resources, the board shall have the authority to waive royalty
6 payments to the State for any fixed period of time up to but not
7 exceeding eight years."

8 SECTION 4. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 5. This Act shall take effect upon its approval.

11

INTRODUCED BY: _____

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S.B. NO. 458

Report Title:

Geothermal Resources; Royalties; University Innovation and Commercialization Initiative Special Fund; Department of Land and Natural Resources; University of Hawaii; Counties; Reports

Description:

Caps the amount of royalties from geothermal resources that are to be paid to the State and to the county in which the geothermal resources are located. Deposits royalties into the University Innovation and Commercialization Initiative Special Fund, to be expended by the Hawaii Groundwater and Geothermal Resources Center, to further the discovery and development of geothermal resources. Requires the entities that received geothermal royalties to submit an annual report to the Legislature.

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

