

STAND. COM. REP. NO. 2660

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 2574
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Agriculture and Environment and Energy,
Economic Development, and Tourism, to which was referred S.B.
No. 2574 entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE FUEL,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a temporary tax credit for the importation of renewable fuel and sustainable aviation fuel; and
- (2) Expand the provisions of the Renewable Fuels Production Tax Credit for taxable years beginning after December 31, 2024, by:
 - (A) Increasing the amount to be claimed from 20 cents per seventy-six thousand British thermal units of renewable fuels sold for distribution in the State to 35 cents per seventy-six thousand British thermal units of renewable fuels produced and sold for distribution in the State;
 - (B) Removing the \$3,500,000 annual aggregate cap on the credit and increasing the credit cap that each qualified taxpayer may claim each taxable year from \$20,000 to \$100,000;



- (C) Specifying that fuels are to have lifecycle greenhouse gas emissions of at least a certain percentage below that of fossil fuels;
- (D) Adding a \$1 per gallon tax credit for the production of:
 - (i) Renewable fuels from locally sourced renewable feedstock; and
 - (ii) Sustainable aviation fuel within the State and produced and sold for consumption by flights originating from and within the State; and
- (E) Increasing the time within which the Hawaii State Energy Office is given to respond to a request for certification from thirty to sixty days.

Your Committees received testimony in support of this measure from the Hawai'i Renewable Fuels Coalition; Hawai'i Farm Bureau; Hawai'i BioEconomy Trade Organization; Pacific Biodiesel, Inc.; Par Hawaii Refining, LLC; Hawaiian Airlines; Maui Land & Pineapple Company, Inc.; Airlines for America; United Steelworkers; Alaska Airlines, Inc.; Twelve; Pono Pacific Land Management, LLC; and one individual.

Your Committees received comments on this measure from the Department of the Attorney General, Department of Taxation, Hawaii State Energy Office, and Tax Foundation of Hawaii.

Your Committees find that incentivizing local renewable fuel production allows investment in the local economy, supports job creation, and accelerates the State's goals to achieve net-zero or net-negative targets as quickly as practicable but no later than 2045. Your Committees recognize that, as an island state, the total jet fuel consumption between private and military industries in the State is eighteen million barrels or 767,000,000 gallons. Your Committees further recognize that the production cost of sustainable aviation fuel is several times greater than that of conventional fuels. The tax credits proposed in this measure create a pathway to support the use and production of fossil fuel alternatives in the State.



According to testimony received by your Committees, Par Pacific, and its partner, Pono Pacific, are working with several landowners in the State to develop oil-yielding crops that produce feedstock for renewable diesel and sustainable aviation fuel. Your Committees therefore request that Par Pacific provide an inventory of the land available to grow oil-yielding crops in the State, the GIS overlay of the land available that shows which areas are cultivatable, and the amount of water needed to plant these oil-yielding crops during both winter and summer months.

Your Committees recognize the concerns raised by the Department of the Attorney General that the provision in this measure that provides taxpayers who produce renewable fuels from locally sourced renewable feedstock or sustainable aviation fuel within the State with an additional \$1 per gallon tax credit under the existing Renewable Fuels Production Tax Credit and the Renewable Fuels Import Tax Credit established by this measure may be subject to a challenge under the United States Constitution's Commerce Clause, as it may be construed by a court to benefit in-state economic interests by burdening out-of-state competitors.

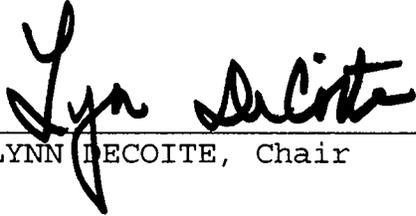
Accordingly, your Committees have amended this measure by:

- (1) Deleting references to "locally-sourced renewable feedstock" and language that would have provided taxpayers who produce sustainable aviation fuel within the State an additional \$1 per gallon tax credit; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Agriculture and Environment and Energy, Economic Development, and Tourism that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2574, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2574, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Environment and Energy,
Economic Development, and
Tourism,



LYNN DECOITE, Chair



MIKE GABBARD, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

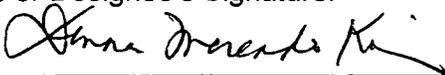
Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:* SB 2574	Committee Referral: AEN/EET, WAM	Date: 02/14/24		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RICHARDS, III, Herbert M. "Tim" (VC)	X			
DECOITE, Lynn	X			
RHOADS, Karl	X			
AWA, Brenton				X
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2574	AEN/EET, WAM	2-14-24		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DECOITE, Lynn (C)	/			
WAKAI, Glenn (VC)				/
FUKUNAGA, Carol				/
KIM, Donna Mercado	/			
FEVELLA, Kurt	/			
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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