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IN REPLY REFER TO:

ESCO-2025-022

December 31, 2025

The Honorable Ronald D. Kouchi
Hawaii State Senator
President and Members of the Senate
Hawaii State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura
Hawaii State Representative
Speaker and Members of the
House of Representatives
Hawaii State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Annual Report for HCR70 Sustainable Aviation Fuel.

In accordance with the Hawaii Revised Statutes 93-16, I am also informing you that the report may be viewed electronically at: https://hidot.hawaii.gov/library/reports/reports-to-the-legislature/.

Sincerely,

EDWIN H. SNIFFEN
Director of Transportation

Attachment

State of Hawai‘i Department of Transportation

(with assistance from the Sustainable Aviation Fuel Working Group)

HCR70 Report to the 35th Hawai‘i State Legislature

December 2025

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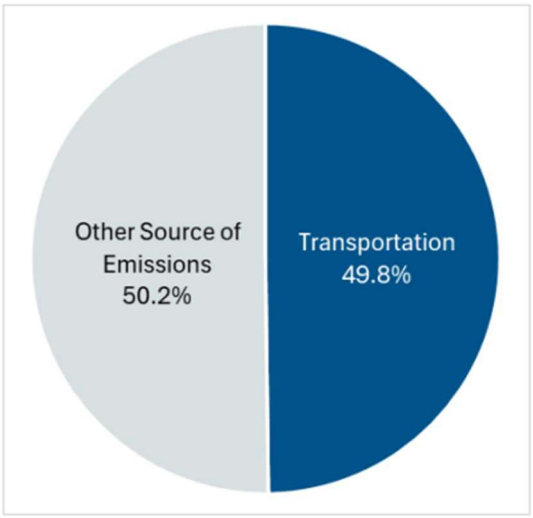
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Executive Summary

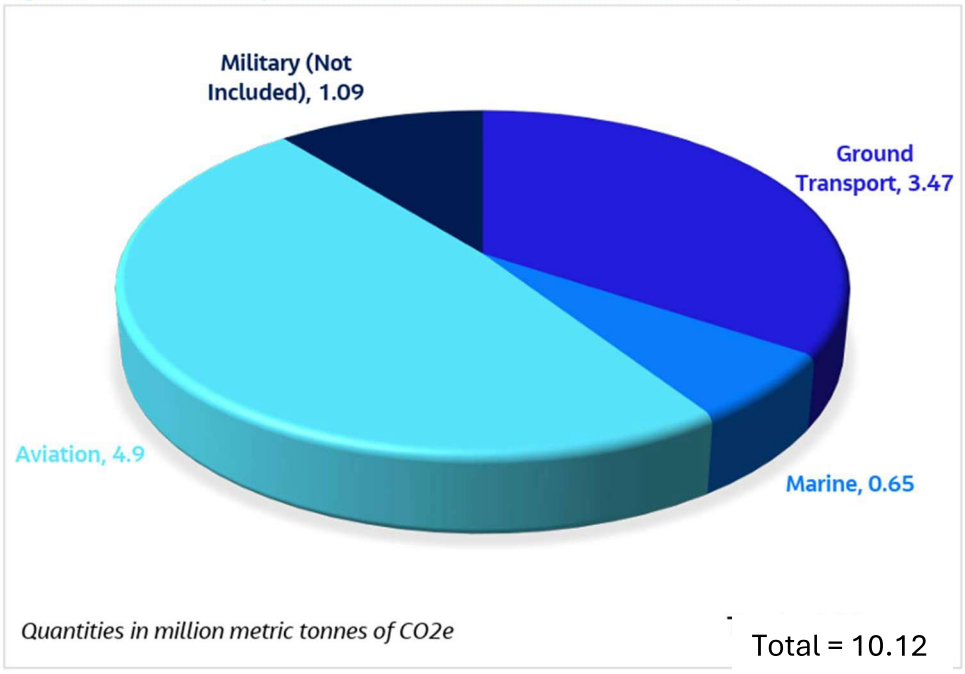
Transportation connects everyone in Hawai‘i, and is vital to almost every aspect of life, including providing Hawai‘i’s people with food and essential goods, and serving as a Hawai‘i’s economic lifeline. Transportation is also responsible for approximately half (49.8%) of Hawai‘i’s total greenhouse gas (GHG) emissions, amounting to roughly 10.12 million metric tons (MMT) of CO2e (Carbon Dioxide equivalent) annually. According to Hawai‘i’s most recent Greenhouse Gas Inventory from 2022, 48.4% of Hawai‘i’s transportation emissions comes from domestic aviation, which includes both interisland flights and flights originating from Hawai‘i to the continental U.S. This makes aviation alone responsible for nearly a quarter (24.1%) of Hawai‘i’s overall GHG emissions. Despite this significant impact, no interisland flights or flights leaving Hawai‘i currently utilize Sustainable Aviation Fuel (SAF) which has significantly lower carbon intensity and therefore, lower emissions.

Figure 3-6: Transportation Sector Contribution to Statewide Total Gross Emissions



[Source: Hawai’I Greenhouse Gas Report for 2022, Hawai’I Department of Health, April 2025, p. 35]

Figure 1-2. Hawai‘i Transportation GHG Emissions (2022 DOH Inventory)

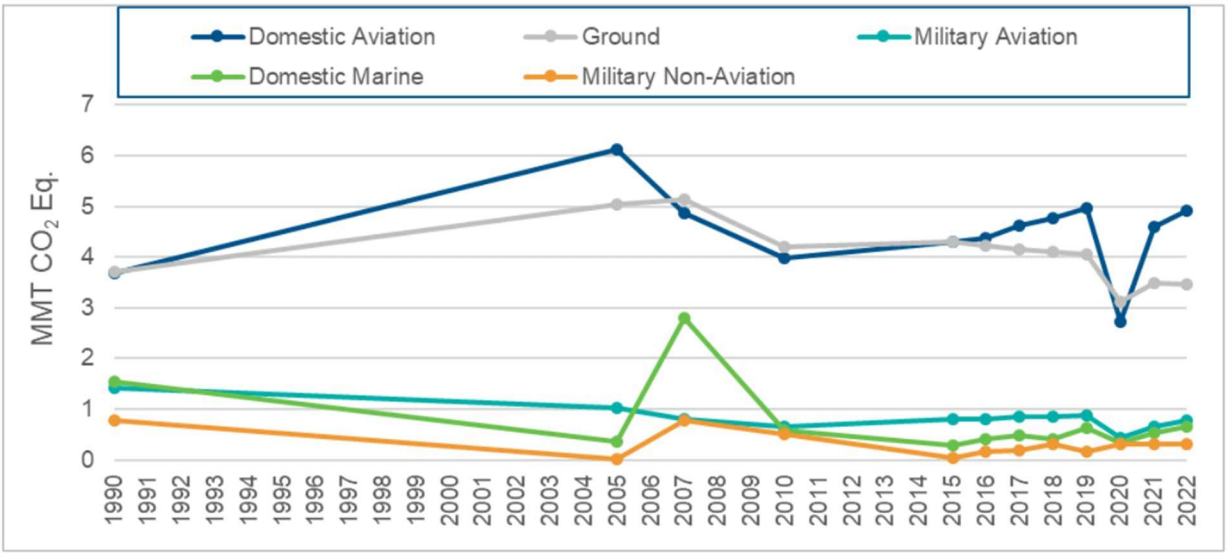


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[Source: Energy Security and Waste Reduction Plan, Hawai‘i Department of Transportation, October 2025, p. 18]

The following graph from the Hawai‘i Greenhouse Gas Emissions Report for 2022 (p. 36), shows transportation emissions by mode over time, with a steep decrease in ground and domestic aviation emissions in 2020 to coincide with the COVID-19 pandemic. While aviation returned to 2019 emissions levels by 2022 showing economic recovery, ground transportation emissions did not return to pre-pandemic levels. Ground transportation emissions show a downward trend from 2007, reflecting more gas efficient engines and Hawai‘i’s adoption of electric and hybrid vehicles. There is not a similar downward emissions trend from newer technologies in aviation since SAF is not yet been used in flights originating from Hawai‘i, and electric planes for use over Hawai‘i’s high waves are still being tested.

Figure 3-7: Transportation Emissions by End-Use Sector and Year (MMT CO_2 Eq.) (Including Aviation)



Across the U.S., demand for SAF outweighs the supply. Therefore, states that use SAF are by and large the states that have passed a state SAF tax credit, such as Illinois, Washington, Minnesota, Nebraska, and New Mexico, demonstrating that state economic incentives are essential for states to capture a share of the competitive SAF market, and make progress on their state emission reduction goals.

In Hawai‘i, the 2025 State Legislature passed House Concurrent Resolution 70 (HCR70) to encourage the adoption of SAF as a key strategy to decarbonize the transportation sector and support the state’s statutory emissions reduction targets - 50% reduction by 2030 and net-negative emissions by 2045. This legislative effort aligns with Hawai‘i Department of Transportation’s Energy Security and Waste Reduction Plan (“ESWRP” or “Energy Security Plan”) released in October 2025, which identifies the adoption of SAF in Hawai‘i as critical to achieving Hawai‘i’s statutory climate goals. The Hawai‘i State Department of Transportation (HDOT) finalized the ESWRP after incorporating feedback on aviation emissions mitigation strategies from the public, and key stakeholders in the aviation and energy sectors including Airlines for America, Hawaiian Airlines, Alaska Airlines airports personnel, Hawai‘i State Energy Office (HSEO), PAR Hawai‘i, Renewable Fuels Coalition of Hawai‘i, and Pono Pacific.

The Energy Security Plan highlights the adoption of SAF as the primary strategy to reduce Hawai‘i’s significant domestic aviation emissions, and recommends two supporting strategies to further the adoption of SAF in Hawai‘i – a state SAF tax credit, and development of a Hawai‘i

SAF Coalition that will collaborate to continuously increase SAF adoption. Further exploration of a Clean Fuel Standard for Hawai‘i is also recommended. Following the legislative directive of HCR70, and as recommended by the Energy Security Plan, HDOT convened two meetings of a SAF Working Group, aka Hawai‘i SAF Coalition - a diverse coalition including state agencies, airlines, fuel producers and distributors, agricultural groups, and legislators. The SAF Working Group has been coordinating to identify barriers, share progress updates, and advance SAF deployment statewide.

The primary recommendations resulting from the initial SAF Working Group meetings are to continue meeting as a SAF Coalition to ensure regular coordination and sustained focus on bringing SAF to Hawai‘i, and to encourage the legislature to enact legislation to develop a Hawai‘i SAF tax credit program to incentivize production, blending, and use of SAF, modeled after successful programs in other states. During the same time period as the working group meetings, HDOT worked collaboratively with key stakeholders to develop draft SAF tax credit legislation that members of the Coalition and legislators plan to introduce in the 2026 legislative session. Moving forward, HDOT intends to continue to help facilitate conversations and efforts to increased uptake of SAF in the state to meet Hawai‘i’s legislatively mandated decarbonization goals.

Introduction

2022 Statewide Inventory Emissions Data

DURING FINALIZATION OF THE ESWRP, IT WAS OBSERVED THAT THE TRANSPORTATION EMISSIONS VALUES BY MODE (AND ASSOCIATED PERCENTAGES) WERE INCORRECT IN CERTAIN 2022 DOH STATEWIDE INVENTORY SUMMARY TABLES. THE CORRECT VALUES WERE OBTAINED FROM THE ORIGINAL DATA SOURCE, INCORPORATED INTO THE ESWRP AND ARE QUOTED HERE.

In Hawai‘i, aviation plays a critical role in Hawai‘i’s economy and the movement of people and goods in an island state. Aviation supports tourism, commerce and essential interisland travel, consequently making it a significant source of GHG emissions within the transportation sector. The House Concurrent Resolution 70 (HCR70) requires “the Department of Transportation to facilitate and accelerate the adoption of sustainable aviation fuels to decarbonize Hawai‘i’s transportation sector and support the State’s climate goals.” According to the most recent State GHG Inventory “Hawai‘i Greenhouse Gas Emissions Report for 2022” (published April 2025), the transportation sector in Hawai‘i is the single largest contributor to greenhouse gas (GHG) emissions, accounting for 49.8% of total emissions in the state, which is higher than the national average of 30%. Domestic aviation (interisland flights and flights originating in Hawai‘i to the U.S. Continent, comprise 48.4% of transportation GHG emissions, and 24.1% of Hawai‘i’s total GHG emissions. Aviation activities therefore impact nearly every aspect of the state’s economy.

To mitigate emissions from air travel, the aviation industry is working to incentivize the adoption of Sustainable Aviation Fuel or SAF. SAF is a low-carbon alternative to conventional jet fuel designed to reduce GHG emissions from the aviation sector supply chain. It can be produced from renewable feedstocks such as used cooking oil, fats, greases, municipal solid waste, woody biomass, and agricultural residues, resulting in up to 80% reduction in lifecycle greenhouse gas emissions compared to conventional jet fuel. SAF is chemically similar to petroleum-based jet fuel, allowing it to be blended with petroleum jet fuel up to 50% based on today’s regulations and used in existing aircraft engines and fueling infrastructure without modification. SAF is

therefore considered a “drop-in” fuel. This compatibility makes SAF a practical and immediate solution for kickstarting the decarbonization of aircraft operations. Within the nation, several states have enacted legislation and established policies to incentivize and encourage the production, distribution, and adoption of SAF. These states include California, Illinois, Minesota, Nebraska, Oregon, and Washington.

In recent years, the State of Hawai‘i has passed bold climate laws, which have driven HDOT to work toward decarbonization of transportation, including supporting measures which would incentivize the adoption of SAF in the state. §HRS 225P-5, passed in 2018, specifies needed carbon reductions, requiring net negative emissions statewide in all sectors by 2045 and 50% reduction in GHG emissions from a 2005 baseline by 2030. §HRS 225P-8, passed in 2023, then goes further and establishes a zero-emission goal for all modes of transportation, which include ground, interisland air, and interisland sea transportation, and takes steps to reduce and eliminate transportation emissions. It also mandates the commitment of state support at all levels – such that “[E]ach department, board, and commission shall incorporate these goals into the department, board, or commission's plans and take any actions necessary to achieve the goals” of reduced and ultimately zero transportation emissions.

In conjunction, the 2024 Settlement Agreement that stemmed from the *Navahine v. Hawai‘i Department of Transportation* case, acknowledges the constitutional right of Hawai‘i’s youth to a life-sustaining climate, and commits HDOT to many actions in order to decarbonize Hawai‘i’s transportation system over the next twenty years. One of the first commitments which HDOT fulfilled in October 2025 is to develop a comprehensive plan to reduce GHG emissions in Hawai‘i transportation in compliance with state law, now titled the Energy Security and Waste Reduction Plan (ESWRP).

Both HDOT’s ESWRP and the Hawai‘i State Energy Office’s 2023 report titled *Hawai‘i Pathways to Decarbonization*, identifies that increasing the use of renewable liquid fuels (including SAF), is essential for the State to achieve its goal of net-negative GHG by 2045. The adoption and acceleration of SAF is critical for achieving the State’s climate goals, supporting its commitments under the *Navahine v. Hawai‘i Department of Transportation* settlement, and ensuring the long-term local sustainability of Hawai‘i’s transportation and tourism sector.

In compliance with HCR70, the Hawai‘i Department of Transportation (HDOT) is requested to:

1. Facilitate and accelerate the adoption of sustainable aviation fuels across Hawai‘i's aviation sector to decarbonize Hawai‘i's transportation and support the State’s climate goals.
2. Work in collaboration with the Hawai‘i State Energy Office, major airlines serving Hawai‘i, fuel producers, and other stakeholders to establish policies, incentives, and infrastructure to support the production, distribution, and use of sustainable aviation fuels in the State.
3. Integrate sustainable aviation fuel adoption into the Greenhouse Gas Reduction Plan required by the *Navahine v. Hawai‘i Department of Transportation* settlement agreement.
4. Submit a report on the progress made in facilitating the adoption and acceleration of sustainable aviation fuels, including any proposed legislation to further support this effort to the legislature no later than twenty days prior to the convening of the Regular Session of 2026

(See HCR70 Requirements Table on the following page)

Table 1 – HCR70 Requirements Matrix

HCR70 Requirements	Report Section	HDOT Actions
1) Department of Transportation is requested to facilitate and accelerate the adoption of sustainable aviation fuels across Hawai‘i’s aviation sector to decarbonize Hawai‘i’s transportation sector and support the State’s climate goals;	Actions Taken to Date	• Collaboratively drafted SAF Tax Credit Bill • Convened two SAF Working group meetings
(2) Department of Transportation is requested to work in collaboration with the Hawai‘i State Energy Office, major airlines serving Hawai‘i, fuel producers, and other stakeholders to establish policies, incentives, and infrastructure to support the production, distribution, and use of sustainable aviation fuels in the State;	Actions Taken to Date	• Finalized ESWRP incorporating feedback from HSEO, airlines, fuel producers and other stakeholders • Convened two SAF Working Group meetings
(3) Department of Transportation is requests to integrate sustainable aviation fuel adoption into the Greenhouse Gass Reduction Plan required by the *Navahine v. Hawai‘i Department of Transportation* settlement agreement;	ESWRP Strategies, Challenges, Implementation Plan	• Finalized ESWRP which includes specific strategies for increasing and incentivizing update of SAF in Hawai‘i
(4) Department of Transportation is requested to submit a report on the progress made in facilitating the adoption and acceleration of sustainable aviation fuels, including any proposed legislation to further support this effort to the legislature no later than twenty days prior to the convening of the Regular Session of 2026;	Introduction	• Finalized ESWRP • Collaboratively drafted draft SAF Tax Credit legislation • Convened two SAF Working Group Meetings

Baseline of SAF in Hawai‘i

As of December 2025, there is no SAF being used in Hawai‘i in interisland flights nor on flights originating from Hawai‘i to the U.S. Continent or overseas. However, significant private industry investments are being made to open the doors to SAF use in Hawai‘i. Par Pacific is constructing Hawai‘i’s first large-scale renewable fuels facility at its Kapolei refinery and is planning for production to begin in early 2026. The facility will produce up to 61 million gallons of renewable fuels, approximately 60% of that will be SAF using the Hydro-processed Esters and Fatty Acids (HEFA) process. This facility is expected to deliver a significant share of the state’s renewable fuel output. The project is being supported through partnerships with stakeholders such as Alaska/Hawaiian Airlines and Pono Pacific to identify suitable local feedstocks and secure supply chain reliability.

On December 17, 2025, just before this HCR70 Report is set to be released, Hawaiian Airlines and Alaska Airlines announced it has joined Par Hawaii to invest in pioneering the development of SAF in Hawai‘i using locally grown agriculture feedstock to reduce aviation carbon emissions. Hawaiian Airlines, Alaska Airlines, and Par Hawaii, are partnering with Pono Pacific, through its Pono Energy, Inc. subsidiary, to study and support the local farming of Camelina sativa (camelina) as a multi-purpose crop that can be used as SAF feedstock. Hawaiian and Alaska will also become Par Hawaii’s launch SAF customer, with plans to take delivery of Hawai‘i’s first locally produced SAF in the first quarter of 2026.

This investment could reduce the need to import fuel from the mainland or overseas, and marks a major step towards local SAF production and Hawai‘i’s overall energy security. It is also expected to provide economic benefits through the creation of a new energy sector, and a revenue source for local farmers. While the refinery will rely partly on imported feedstocks, these efforts underway to explore local sources, including camelina and used cooking oil, provide sustainable options to further develop. Hawai‘i’s SAF production potential will depend on the success of this facility, availability of renewable feedstocks, and continued alignment between public policy, infrastructure investment, and industry demand.

1. SAF Infrastructure

a. Current Infrastructure

Hawai‘i’s existing aviation fuel infrastructure is fully capable of supporting the distribution and use of Sustainable Aviation Fuel (SAF) with no additional investment or modification. The Hawai‘i Fueling Facilities Corporation (HFFC), a consortium of 18 commercial airline carriers, owns and operates an integrated network of storage and pipeline infrastructure that delivers jet fuel from the Par Hawai‘i and Island Energy Services facilities in Kapolei, as well as from marine vessels to aircraft across the state.

On O‘ahu, fuel arrives at the HFFC Sand Island terminal, where it is tested to meet ASTM D1655 standards for aviation turbine fuels and then transferred via two underground pipeline systems, each approximately two miles long, to the on-airport storage facility at Daniel K. Inouye International Airport. This system operates 16 to 20 hours per day and is manned 24/7 to ensure consistent supply and operational readiness. The Sand Island facility holds up to approximately 920,000 barrels of fuel, with an additional 150,000 barrels in on-airport storage, representing an average of 15–30 days’ supply.

Neighbor island airports, including those in Kahului Airport (OGG), Ellison Onizuka Kona International Airport (KOA), Hilo International Airport (ITO), and Līhuʻe Airport (LIH), are served via Harbor terminals. From the harbor terminals, fuel is trucked to airport fuel storage owned by HFFC. These systems are smaller in scale but are similarly SAF-ready, requiring no upgrades to accept or distribute drop-in sustainable fuels.

Importantly, the infrastructure was designed to accommodate any fuel that meets ASTM D1655, the Standard Specification for Aviation Turbine Fuels. ASTM D1655 is a global quality and safety standard that defines the minimum property requirements for jet fuels such as Jet A and Jet A-1. It covers critical physical and chemical properties, including flash point, freezing point, acidity, and sulfur content, and governs fuel quality from production through aircraft use. SAF that meets this specification is fully interchangeable with conventional jet fuel, in blends up to 50%, and can be used without modification to aircraft engines or fueling systems. It is anticipated that blending ratios will increase over time.

No additional board approvals, system upgrades, or operational changes are required for SAF to be handled, stored, or delivered. As such, Hawai‘i’s fuel system presents a rare advantage: a ready-to-go, certified, and centralized model for integrating SAF statewide.

b. SAF Infrastructure: HDOT Upgrades and Improvements Needed

Based on current assessments, no upgrades or infrastructure improvements are required to support the distribution and use of sustainable aviation fuel (SAF) within Hawai‘i’s aviation fuel system. The existing fueling infrastructure managed by the Hawai‘i Fueling Facilities Corporation (HFFC) is fully compatible with SAF that meets ASTM D1655 standards, the globally recognized standard for aviation turbine fuels that ensures jet fuel safety, performance, and engine compatibility.

All required infrastructure, including marine import terminals, recertification labs, pipelines, storage tanks, and airport fueling systems, is already in place and operational. This readiness eliminates any need for further capital investment or system redesign. SAF can be seamlessly introduced into the current fuel supply chain immediately, without board action, legislative adjustment, or permitting delays. As a result, the State is uniquely positioned to begin distributing SAF today through its existing aviation infrastructure, providing a strong foundation for climate action and industry partnership.

SAF does need to be blended with Jet A fuel and then certified to ASTM Standards. However, all blending will take place off-site from airports and marine terminals.

2. Energy Security & Waste Reduction Plan (ESWRP)

a. SAF Strategies

The ESWRP, developed to comply with the requirements of the settlement agreement from the Navahine case, details HDOT’s strategies for meeting the statewide emission reduction goals. Because domestic aviation represents such a large portion of the state’s transportation emissions, there are a significant number of strategies identified within the Plan for mitigating aircraft emissions. The most significant near and long term-strategy identified in the Plan is the increasing uptake of SAF.

The ESWRP proposes two potential SAF adoption pathways. The SAF uptake milestones for each pathway are specified in Table 2. The second pathway is better aligned with the targets set by the airline industry who are working to achieve Net Zero emissions by 2050. While better aligned with the aviation industry, and much more feasible, this second pathway would not lead to Hawai‘i meeting the statewide target of net zero emissions by 2045.

Year	Ambitious Pathway – 2045 Target Met	Airline Industry Pathway- 2045 Target Not Met
2030	25%	10%
2035	50%	30%
2040	75%	50%
2045	100%	--
2050	100%	100%

Table 2 – Pathway SAF Uptake Milestones

Currently, SAF is able to provide between a 50 and 80% reduction in lifecycle carbon intensity compared to conventional jet fuel. While the 80% reduction in emission intensity is substantial, it is not enough to help HDOT to meet their Net Negative goal in 2050. Therefore, HDOT has assumed that up to 15% of the needed SAF quantities in 2045 will be zero emission typologies, either as electro SAF (eSAF) (SAF made using renewable electricity, water and captured CO2) or Bio-Energy with Carbon Capture and Storage SAF (SAF made using electricity generated from waste biomass with resulting CO2 emissions being captured and stored underground). Currently that technology for zero emission SAF typologies is nascent and very much in pilot project stage with limited availability. However, HDOT is assuming that within the next 20 years, those zero emission SAF products will be more widely available.

b. Challenges

For successful adoption of SAF at a wide scale, there are two critical hurdles that need to be overcome. First, there needs to be sufficient supply. The PAR Pacific facility is expecting to generate 61 million gallons of renewable fuels, with approximately 60% expected to be SAF, resulting in approximately 36 million gallons of SAF annually. The anticipated need for SAF to in 2030 is over 400 million gallons. Therefore, the state will need to rely on imports to make up the difference until more can be produced within the state. The next critical hurdle is cost – SAF is 2-5x more expensive than conventional jet fuel so the state will need to implement incentive programs that help make the cost of SAF more aligned with airlines’ business goals.

c. Implementation Plan

The ESWRP outlines several implementation steps to help overcome these challenges and help facilitate the increased uptake of SAF in Hawai‘i.

i. SAF Working Group/Coalition

The first key step is the development of a SAF Working Group. The purpose of the SAF Working Group is to gather a diverse group of stakeholders dedicated to advancing the commercial-scale production and use of SAF by airlines. The working group may choose to formalize into a coalition that will aim to accelerate investment in the SAF sector to improve

Hawai‘i’s and the broader U.S. economic competitiveness in the emerging global SAF marketplace.

A coalition may undertake a wide range of activities to support the development of SAF. This includes identifying state-specific challenges to scaling production and developing policy recommendations and legislative incentives. The group also conducts crucial technical assessments, such as feedstock assessments (for both local and imported sources), and evaluations of infrastructure needs for production, blending, and delivery. Furthermore, coalitions assess the overall feasibility of SAF deployment, considering factors like costs, timelines, land and water usage, refining capacity, and airline uptake. Beyond these technical activities, coalitions are essential in shaping state and federal policy, supporting grant applications, and creating a unified vision for the future of SAF development.

The key goals of a SAF coalition would include:

1. Establishing a strategic focus on SAF
2. Building consensus and support among stakeholders
3. Promoting stable, long-term policy frameworks to attract investment
4. Securing strong state and local support for the SAF sector
5. Targeting research and development efforts to sale SAF production
6. Integrating sustainability considerations throughout the value chain

The formation and management of a successful coalition is a strategic, multi-phased process designed to achieve and sustain long-term objectives. The initial step involves convening stakeholders to identify knowledge gaps and shared challenges, leading to the development of a strategic roadmap and prioritized actions.

Formalizing these efforts through a charter or a Memorandum of Understanding (MOU) provides the necessary structure and commitment for effective collaboration. These coalitions are established as enduring entities, adapting to address new opportunities and barriers. A common quarterly meeting schedule is maintained, with more frequent meetings arranged to address time-sensitive legislative or policy-related events.

Refinery construction is a capital-intensive part of SAF deployment, but every segment of the supply chain requires significant investment and coordination. Due to the fact that SAF is still more expensive than conventional fuel, it needs continuous commitment from all stakeholders, including airports. Airports (HDOT) can support SAF deployment by engaging their internal teams, building trust with coalition members and legislators, establishing a dedicated SAF Working Group, and facilitating communication to identify and overcome implementation barriers.

ii. SAF Financial Incentives

The next significant implementation step for facilitating the increased uptake of SAF is the development and enactment of a program, or programs, that remove economic barriers associated with SAF. Two potential complementary programs to offset the additional cost of SAF include:

1. Clean Fuel Standard Program;
2. SAF State Tax Credit Program.

The Clean Fuel Standard (CFS) is a market-based policy that incentivizes fuel producers to reduce the carbon intensity of the fuels they produce over time. This program promotes cleaner energy options such as electricity, hydrogen and renewable fuels by creating tradeable credits for low carbon fuels and deficits for high carbon fuels, ultimately incentivizing a market and cutting emissions. This program is more complicated for HDOT since it will impact ground, marine and aviation fuels and therefore will require additional research and study on required parameters and economic impact before deciding to move forward. HDOT has started a Clean Fuel Standard Feasibility Study expected to have initial findings by February 2026, and a final report by May 2026.

The SAF Tax Credit is a financial incentive that offers producers and blenders a set monetary credit per gallon of SAF (typically with a minimum 50% carbon intensity reduction from conventional jet fuel) for selling or using SAF with additional bonuses for further carbon reductions.

Several states across the country have enacted financial incentive programs to support the production and use of sustainable aviation fuel (SAF). These incentives vary in structure but generally reward fuels based on lifecycle greenhouse gas (GHG) reductions and help reduce the overall cost of SAF for producers, blenders, and end-users. The following are examples of existing state-level programs:

1. Illinois (2023):
    a. Creates a SAF purchase credit that provides $1.50 per gallon for SAF meeting a ≥50% lifecycle GHG reduction.
    b. The credit can be applied to the state's 6.25% use tax and is available through 2032.
2. Washington (2023):
    a. Creates a SAF tax credit that provides a $1.00 per gallon base credit for SAF with a ≥50% lifecycle GHG reduction, plus $0.02 per gallon for each additional 1% reduction above 50%, up to $2.00 per gallon.
    b. The credit activates once Washington reaches 20 million gallons per year of in-state SAF production capacity.
3. Minnesota (2023):
    a. Creates a refundable SAF tax credit that provides $1.50 per gallon for SAF produced or blended in-state and used on flights departing Minnesota airports. SAF must achieve a ≥50% lifecycle GHG reduction.
    b. Credits are available through fiscal year 2030.
4. Nebraska (2024):
    a. Creates a SAF production tax credit that provides a $0.75 per gallon base credit for SAF meeting a ≥50% lifecycle GHG reduction, plus $0.01 per gallon for each additional percent reduction above 50%, capped at an additional $0.50 for a maximum of $1.25 per gallon.
5. New Mexico (2024):
    a. Creates a clean fuel standard that provides clean fuel credits for SAF based on lifecycle GHG reduction.

b. This incentive supports SAF production but is not a tax credit.

6. Connecticut (2023):
    a. Creates a change to aviation fuel taxation under Public Act 23-204 that adjusts how aviation fuel is taxed.
    b. The policy affects aviation fuel treatment but does not create a SAF-specific tax credit.

The attached proposed SAF Tax Credit legislation utilizes aspects of other states' legislation that would best support a Hawai‘i incentive program, while also being mindful of Hawai‘i's many budgetary prioritizes by implementing an annual $20M cap, and a 10-year sunset date.

Administration of a Potential State Tax Credit – Basics

Who manages the administration?	A partnership between HDOT (technical validation) and DOTAX (financial issuance).
Who validates the fuel?	HDOT validates the third party certified statement filed by taxpayer.
Who issues the credit?	DOTAX upon receipt of HDOT issued certificate.
How is Carbon Intensity verified?	Use of the GREET model established by Argonne National Laboratory, considered the "gold standard" and adopted by other US states such as Illinois.
How is the $20M cap managed?	Pro-rata. If claims exceed $20M, the credit is distributed proportionally, guaranteeing the State never exceeds its budget while ensuring all participants, large and small, get a share.

Beneficiaries of a Potential State SAF Tax Credit – Basics

Who benefits from a SAF tax credit?	Hawai‘i residents gain increased energy security from reduced reliance on petroleum imported into the state, and cleaner air from reduced particulate matter and sulfur dioxide emissions.
	Airlines will be able to buy SAF at a reduced cost thanks to the credits. Airlines may choose to pass those savings onto the passengers at their discretion.
	Farmers and landowners who produce feedstocks for SAF locally.
	Ranchers and the local food system will benefit from high-protein seedcake, a byproduct of SAF feedstock processing that can be used as local animal feed, reducing the need for expensive imported feed.
	Tourism economy by branding of Hawai‘i as a climate conscious destination.
	Hawai‘i SAF producers and distributors who have the financial incentive through a state SAF tax credit to sell to airlines operating out of Hawai‘i, rather than shipping locally-produced SAF off island to other states with tax incentives.
	The State in progressing on its legislatively established emissions reduction targets (50% reduction by 2030, net-negative by 2045, and eventually zero transportation emissions).

3. HDOT Key Actions Taken to Date

In 2025 HDOT has actively been working to kickstart activities needed to incentivize uptake of SAF in the State. These activities include the following:

October 15, 2025 – Finalization of the ESWRP - This plan specifies the strategies needed for HDOT to meet state net negative targets in 2045. For aviation, this includes strategies that span from operational efficiencies and optimization to the incentivization of lower carbon fuels including SAF, eSAF, BE-CCS SAF, Hydrogen and Electricity. The Plan includes recommended implementation steps for the development of a SAF Working Group/Coalition, SAF Tax Credit and Clean Fuels Standard. The Plan was finalized following review, discussion and incorporation of feedback during a 60-day comment period from key stakeholders including Airlines for America, Hawaiian/Alaska Airlines, Hawai‘i State Energy Office and the Renewable Fuels Coalition of Hawai‘i among others.

November 3, 2025 - Initial SAF Working Group Meeting - HDOT convened a multi-stakeholder group including airlines, fuel producers, farmers, and Non-Governmental Organizations (NGOs) to gauge interest for formalizing a SAF Working Group in Hawai‘i. The meeting was held remotely with approximately 20 attendees including the Hawai‘i State Energy Office, Renewable Fuels Coalition of Hawai‘i, and other key stakeholders. Key agenda items included the following:

- Overview of the Working Group Goals and House Concurrent Resolution 70 (2025)
- Updates on the SAF landscape in Hawai‘i from key stakeholders
- Discussion of a proposed SAF tax credit bill and the SAF Coalition formation

The attendees achieved consensus on shared interest to increase uptake of SAF and recognized the need for a working group/coalition and inclusion of government officials. No formal decisions were made regarding leadership, but HDOT and the Renewable Fuels Coalition of Hawai‘i agreed to co-convene future meetings until leadership decisions were made. The meeting included introductions and updates from a broad range of stakeholders, including airlines, fuel producers, agricultural organizations, and agencies such as HSEO, DBEDT, and HYTC. Key topics discussed included the SAF policy landscape, the proposed SAF tax credit bill, and infrastructure and operational challenges, and the importance of aligning SAF efforts with broader decarbonization goals. Action items included circulating the draft SAF tax credit legislation for review, identifying additional stakeholders to invite, and scheduling the next meeting in early December before the holiday break.

Late November 2025 – Draft SAF Tax Credit Legislation - HDOT collaborated with Hawaiian Airlines, Alaska Airlines, Airlines 4 America and the Renewable Fuels Coalition of Hawai‘i to draft legislation for a state SAF Tax Credit program for consideration by the legislature in the 2026 session. The draft legislation has been reviewed by a number of other key stakeholders and the state’s attorney and their feedback has been incorporated. The full text of the draft bill is included as Attachment 1, and may be amended per interested legislators prior to introduction. Key parameters as currently drafted include the following:

- $1.00 per gallon credit for SAF that meets minimum 50% reduction in lifecycle GHG emissions
- $0.02 per gallon additional credit for every additional percent reduction in carbon intensity
- Program budget is $20M per calendar year
- Applicable through tax year 2035

November & December, 2025 – Clean Fuel Standard Feasibility Study – HDOT, through its consultant Jacobs, and subconsultant ICF, has begun analysis of the economic impact of a possible Clean Fuel Standard in Hawai‘i, with particular emphasis on how it may impact affordability for disadvantaged and rural communities.

December 1, 2025 – Follow Up SAF Working Group Meeting – HDOT with the Renewable Fuels Coalition of Hawai‘i convened a multi-stakeholder group including airlines, fuel producers, farmers, Non-Governmental Organizations (NGOs), government officials and state legislators, to continue the discussion on logistics and strategies for increasing SAF in Hawai‘i. There were over 30 attendees, including representatives from the Hawai‘i State Energy Office, Renewable Fuels Coalition of Hawai‘i, DBEDT, Hawai‘i Youth Transportation Council, and Airlines for America. The agenda included the following:

- Presentation on Hawai‘i airport fueling infrastructure and SAF integration by Jason Maga (HFFC)
- National SAF policy and market overview by Sean Newsum (Airlines for America)
- Updates on the SAF landscape in Hawai‘i, including stakeholder perspective and legislative efforts.

The group decided to continue advancing the SAF Working Group and reaffirmed support for the proposed SAF tax credit bill. Presentations highlighted that Hawai‘i’s existing infrastructure can accommodate SAF without upgrades, as it is a drop-in fuel compatible with current systems. Stakeholders discussed the importance of incentive stacking, feedstock diversity, and the role of federal and state policies in accelerating SAF adoption. The Hawai‘i Youth Transportation Council emphasized the need to prioritize waste-based feedstocks and to avoid displacement of agricultural lands currently producing food for local consumption. Action items included refining the SAF tax credit proposal, identifying additional stakeholders to engage, and scheduling the next meeting in early 2026.

4. Planned Next Steps

1. Continue to convene key SAF stakeholders to push forth activities, information collection and legislation to increase SAF in Hawai‘i. Support the working group/coalition in making decisions about leadership, responsibilities, meeting agendas and cadence.

2. Provide support for the SAF Tax Credit Bill as needed through testimony, attendance at meetings, discussions with government officials.

3. Continue to explore the development of a Clean Fuel Standard in Hawai‘i and work with key stakeholders to develop a program that provides affordable energy options, while still helping the State to meet our legislatively-mandated GHG reduction targets.

Attachment 1: DRAFT SAF Tax Credit Bill Text

Attachment 1: DRAFT SAF Tax Credit Bill Text

A Bill for an ACT

Relating to Sustainable Aviation Fuel Tax Credit

1st Draft Date: 9/11/2025

Revised: 11/13/2025

SECTION 1. The legislature finds that sustainable aviation fuel is critical to reducing greenhouse gas emissions in the aviation sector, which is a significant contributor to the State's carbon footprint. By incentivizing the distribution of sustainable aviation fuel through a tax credit, the State can promote cleaner energy alternatives, support economic development, and advance Hawaii's climate goals. The purpose of this Act is to establish a sustainable aviation fuel tax credit to encourage the production and distribution of sustainable aviation fuel within the State.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding to part VI a new section to be appropriately designated and to read as follows:

"§235- Sustainable aviation fuel tax credit.

(a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter, a sustainable aviation fuel tax credit that shall be deducted from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. For each taxpayer distributing sustainable aviation fuel in the State, the amount of the credit shall be $1 per gallon of sustainable aviation fuel sold for distribution in the State; provided that the tax credit shall only be claimed for sustainable aviation fuel that meets the lifecycle greenhouse gas emissions reduction threshold. The credit amount under this subsection shall increase by two cents for each additional one per cent reduction in carbon dioxide equivalent emissions beyond the lifecycle greenhouse gas emissions reduction threshold, not to exceed $2 for each gallon of sustainable aviation fuel.

(b) In the case of a partnership, S corporation, estate, or trust, the distribution and share of the sustainable aviation fuel tax credit shall be determined pursuant to section 704(b) (with respect to a partner's distributive share) of the Internal Revenue Code of 1986, as amended. For a fiscal year taxpayer, the taxpayer shall report the credit in the taxable year in which the calendar year end is included.

(c) No later than thirty days following the close of the calendar year, every taxpayer claiming a credit under this section shall complete and file an independent, third-party certified statement, at the taxpayer's sole expense, with and in the form prescribed by the department of transportation, providing the following information:

(1) The type and quantity of sustainable aviation fuel sold in the State during the previous calendar year;

(2) The feedstock used to produce the sustainable aviation fuel;

(3) The proposed total amount of credit to which the taxpayer is entitled for each calendar year and the cumulative amount of the tax credit the taxpayer received the previous calendar year;

(4) The number of full-time and part-time employees of the facility and those employees' states of residency, totaled per state;

(5) The number and location of its sustainable aviation fuel production facilities within and outside the State;

(6) The lifecycle greenhouse gas emissions in kilograms of carbon dioxide equivalent per million British thermal units for the sustainable aviation fuel; and

(7) The lifecycle greenhouse gas emissions reported to the United States Department of the Treasury if different than the emissions reported under paragraph (6).

(d) Within thirty calendar days after the due date of the statement required under subsection (c), the department of transportation shall:

(1) Acknowledge, in writing, receipt of the statement; and

(2) Issue a certificate to the taxpayer reporting the:

(A) Amount of sustainable aviation fuel sold for distribution in the State;

(B) Amount of credit that the taxpayer is entitled to claim for the previous calendar year, inclusive of any carryover amount;

(C) Amount of credit that the taxpayer is entitled to claim for any subsequent calendar year; and

(D) Cumulative amount of the tax credit during the previous calendar year.

(e) The taxpayer shall file the certificate issued under subsection (d)(2) with the taxpayer's tax return with the department of taxation. The director of taxation may audit and adjust the certification to conform to the facts.

(f) The total amount of tax credits allowed under this section for all eligible taxpayers shall not exceed $20,000,000 for any calendar year. In the event that the credit claims under this section exceed the total credits allowed for all eligible taxpayers in any given calendar year, the department of transportation shall allocate the total credits allowed proportionally to each eligible taxpayer. To the extent that the limitations of this subsection reduce the amount of a taxpayer's credit, the amount of the reduction shall be available to the taxpayer

to be used as a credit in the next subsequent calendar year but shall not be carried over for any calendar year thereafter except as provided in subsection (h); provided that the carryover credit shall be subject to the limitations of this subsection.

(g) Notwithstanding any other law to the contrary, the information collected and compiled by the department of transportation under subsections (c) and (d) shall be available for public inspection and dissemination pursuant to chapter 92F.

(h) If the credit under this section exceeds the taxpayer's net income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted; provided that no credit may be carried forward after the fifth taxable year in which the credit was originally claimed. All claims for a credit under this section shall be properly filed on or before the end of the twelfth month following the close of
the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision or to provide the certified statement required under subsection (c) shall constitute a waiver of the right to claim the credit.

(i) Before the distribution of any sustainable aviation fuel for the calendar year, the taxpayer shall provide written notice of the taxpayer's intention to begin distribution of sustainable aviation fuel to the department of transportation and department of taxation. The written notice shall include information on the taxpayer, facility location, facility capacity, anticipated distribution start date, and the taxpayer's contact information. Notwithstanding any other law to the contrary, the written notice under this subsection, including taxpayer and facility information, shall be made available for public inspection and dissemination pursuant to chapter 92F.

(j) The taxpayer shall provide written notice to the director of transportation and the director of taxation within thirty days following the start of distribution. The notice shall include the distribution start date and expected volume of sustainable aviation fuel for the next twelve months. Notwithstanding any other law to the contrary, the written notice described in this subsection shall be made available for public inspection and dissemination pursuant to chapter 92F.

(k) Following each calendar year in which a credit under this section has been claimed, the director of transportation shall submit a written report to the governor and legislature regarding the distribution of sustainable aviation fuel in the State. The report shall include:

(1) The number and location of sustainable fuel facilities in the State and outside the State that have claimed a credit under this section;

(2) The total number of gallons of sustainable aviation fuel sold for distribution in the State during the previous calendar year; and

(3) The projected number of gallons of sustainable aviation fuel for the

succeeding year.

(l) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules pursuant to chapter 91 necessary to effectuate the purposes of this section.

(m) This section shall not apply to taxable years beginning after December 31, 2035.

(n) As used in this section:

"*Lifecycle greenhouse gas emissions*" means the aggregate attributional core lifecycle greenhouse gas emissions values utilizing the most recent version of the United States Department of Energy's Argonne National Laboratory's greenhouse gases, regulated emissions, and energy use in technologies (GREET) model, including agricultural practices and carbon capture and sequestration.

"*Lifecycle greenhouse gas emissions reduction threshold*" means a reduction in lifecycle greenhouse gas emissions of fifty per cent compared to the fossil fuel for which the renewable fuel is most likely to replace.

"*Sustainable aviation fuel*" means liquid fuel that:

(1) Consists of synthesized hydrocarbons and meets the requirements of the American Society for Testing and Materials International Standard D7566 or D1655; and

(2) Is derived from biomass resources, waste streams, renewable or zero carbon energy sources, or gaseous carbon oxides.

SECTION 3. New statutory material is underscored.

SECTION 4. This act shall take effect upon its approval and shall apply to taxable years beginning after December 31, 2025; provided that Section 2 shall be repealed on December 31, 2035.

Report Title:

Sustainable Aviation Fuel Tax Credit

Description:

Establishes a tax credit for sustainable aviation fuel distribution in Hawaii to reduce greenhouse gas emissions. Provides $1 per gallon, increasing by 2 cents per additional 1 per cent emissions reduction, up to $2 per gallon. Caps total credits at $20,000,000 annually, with carryover provisions.
Requires reporting to ensure transparency and compliance. Applies to taxable years after December 31, 2025, and sunsets on December 31, 2035.

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