
A BILL FOR AN ACT

RELATING TO RENEWABLE FUEL.

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

1 SECTION 1. The legislature finds that, because of the
2 recent *Navahine F. v. Hawai'i Department of Transportation*
3 (*Hawaii Cir. Ct. 2024*) settlement, there is a clear need for the
4 State to take meaningful and coordinated action to reduce its
5 greenhouse gas emissions, particularly within the transportation
6 sector. The settlement underscores the State's constitutional
7 responsibility to ensure a life-sustaining climate for current
8 and future generations. It also calls for the development and
9 implementation of a comprehensive energy security and waste
10 reduction plan to guide decarbonization efforts over the next
11 twenty years, including the adoption of sustainable aviation
12 fuel as a key strategy.

13 The legislature further finds that the transportation
14 sector is the single largest contributor to greenhouse gas
15 emissions in Hawaii, accounting for forty-eight per cent of
16 statewide emissions, well above the national average. Within
17 that sector, aviation plays a critical role, supporting



1 commerce, tourism, and essential interisland travel, and
2 contributes significantly to overall emissions. Hawaii consumes
3 approximately seventeen million barrels, or seven hundred
4 fourteen million gallons, of jet fuel annually. Transitioning
5 away from fossil fuels is essential to achieving the State's
6 climate goals. Even producing a modest portion of that fuel
7 locally, using renewable feedstocks, can yield outsized
8 benefits, stimulating local agriculture, creating economic
9 opportunities, reducing emissions, and building energy
10 resilience. Rather than continuing to grow the State's annual
11 fossil fuel demand by small increments each year, Hawaii has the
12 opportunity to stop that trajectory and instead take a bold,
13 measurable step toward emissions reduction and local
14 sustainability in a single year.

15 The legislature recognizes that renewable fuel used for
16 sustainable aviation fuel offers a near-term and scalable
17 solution to decarbonize aviation without requiring changes to
18 aircraft or infrastructure. However, sustainable aviation fuel
19 remains several times more expensive than conventional fuels.
20 Without targeted policy support, including financial incentives,
21 local sustainable aviation fuel production and adoption will



1 remain cost-prohibitive. Other states have enacted policy tools
2 and tax credits to bridge this gap. The State must act
3 similarly to remain competitive, meet its legal obligations, and
4 seize the economic opportunities offered by renewable fuel
5 production.

6 Updating the renewable fuels production tax credit to
7 increase incentives is a critical component of this effort.
8 Revising this tax credit will support local production of
9 sustainable aviation fuel and other renewable fuels, enabling
10 investment in energy infrastructure, job creation, and economic
11 development. These fuels benefit a broad spectrum of the
12 State's residents, from households that rely on propane for
13 cooking to patients who depend on affordable interisland flights
14 for medical care, ensuring that climate action is equitable and
15 far-reaching.

16 The legislature believes that an updated renewable fuels
17 production tax credit also encourages agricultural innovation by
18 supporting energy crops that serve as regenerative cover crops,
19 helping to restore soil health while complementing food
20 production and requiring minimal water. These crops offer
21 farmers an additional source of revenue and generate byproducts



1 that can be used as feed for local livestock and aquaculture,
2 reinforcing food and energy resilience. Importantly, this
3 transition creates new jobs in agriculture, a sector that will
4 play a vital role in the State's renewable fuels future and
5 long-term sustainability. Moreover, local renewable fuel
6 production supports skilled employment, allowing Hawaii's
7 refinery workforce to adapt and thrive in a clean energy
8 economy. These jobs offer long-term, high-value career pathways
9 for residents and contribute to workforce development aligned
10 with the State's decarbonization goals.

11 Accordingly, the purpose of this Act is to:

- 12 (1) Fulfill the State's climate commitments by expanding
13 the renewable fuels production tax credit; and
- 14 (2) Clarify that the renewable fuels production tax credit
15 shall only be claimed by taxpayers for which qualified
16 renewable fuel production costs are incurred within
17 the State and sold for distribution within the State.

18 SECTION 2. Section 235-110.32, Hawaii Revised Statutes, is
19 amended to read as follows:

- 20 1. By amending subsection (a) to read:



1 "(a) Each year during the credit period, there shall be
2 allowed to each taxpayer subject to the taxes imposed by this
3 chapter a renewable fuels production tax credit that shall be
4 applied to the taxpayer's net income tax liability, if any,
5 imposed by this chapter for the taxable year in which the credit
6 is properly claimed.

7 For each taxpayer producing renewable fuels, the annual
8 dollar amount of the renewable fuels production tax credit
9 during the ten-year credit period shall be equal to ~~[20]~~ 35
10 cents per seventy-six thousand British thermal units of
11 renewable fuels using the lower heating value for which
12 qualified renewable fuel production costs are incurred within
13 the State and sold for distribution in the State; provided that
14 ~~[the]~~:

15 (1) The taxpayer's production of renewable fuels is not
16 less than two billion five hundred million British
17 thermal units of renewable fuels per calendar year;
18 provided further that the amount of the tax credit
19 claimed under this section by a taxpayer shall not
20 exceed ~~[\$3,500,000]~~ \$7,000,000 per taxable year;
21 provided further that the tax credit shall only be



1 claimed for fuels with lifecycle emissions below that
2 of fossil fuels. No other tax credit may be claimed
3 under this chapter for the costs incurred to produce
4 the renewable fuels that are used to properly claim a
5 tax credit under this section for the taxable year[-];

6 (2) The tax credit shall only be claimed for fuels that
7 meet the lifecycle greenhouse gas emissions reduction
8 threshold and product transportation emissions
9 threshold;

10 (3) There shall be an additional credit value of \$1.00 per
11 diesel gallon equivalent for low lifecycle emissions
12 renewable fuels; and

13 (4) There shall be an additional credit value equal to
14 \$1.00 per gallon if the renewable fuel is sustainable
15 aviation fuel.

16 Each taxpayer, together with all of its related entities as
17 determined under section 267(b) of the Internal Revenue Code and
18 all business entities under common control, as determined under
19 sections 414(b), 414(c), and 1563(a) of the Internal Revenue
20 Code, shall not be eligible for more than a single [~~ten-year~~]
21 credit period[-]; provided that taxpayers who previously claimed



1 the tax credit for a single credit period for taxable years
2 beginning before January 1, 2027, may claim another tax credit
3 for taxable years beginning after December 31, 2026."

4 2. By amending subsections (c) and (d) to read:

5 "(c) No later than thirty days following the close of the
6 calendar year, every taxpayer claiming a credit under this
7 section shall complete and file an independent, third-party
8 certified statement, at the taxpayer's sole expense, with and in
9 the form prescribed by the Hawaii state energy office, providing
10 the following information:

- 11 (1) The type, quantity, and British thermal unit value,
12 using the lower heating value, of each qualified fuel,
13 broken down by the type of fuel, produced and sold
14 during the previous calendar year;
- 15 (2) The feedstock used for each type of qualified fuel;
- 16 (3) The proposed total amount of credit to which the
17 taxpayer is entitled for each calendar year and the
18 cumulative amount of the tax credit the taxpayer
19 received during the credit period;



1 (4) The number of full-time and [~~number of~~] part-time
2 employees of the facility [~~and those employees' states~~
3 ~~of residency, totaled per state~~];

4 (5) The number and location of all renewable fuel
5 production facilities within [~~and outside of~~] the
6 State; [~~and~~]

7 (6) The lifecycle greenhouse gas emissions [~~per~~] in
8 kilograms of carbon dioxide equivalent per million
9 British thermal units for each type of qualified fuel
10 produced[~~-~~]; and

11 (7) The lifecycle greenhouse gas emissions reported to the
12 United States Department of the Treasury, if different
13 than the emissions reported pursuant to paragraph (6).

14 (d) Within thirty calendar days after the due date of the
15 statement required under subsection (c), the Hawaii state energy
16 office shall:

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

18 (2) Issue a certificate to the taxpayer reporting the
19 amount of renewable fuels produced and sold, the
20 amount of credit that the taxpayer is entitled to
21 claim for the previous calendar year, and the



1 cumulative amount of the tax credit during the credit
2 period; and

3 (3) Provide the taxpayer with a determination of whether
4 the lifecycle greenhouse gas emissions for each type
5 of qualified fuel produced [~~is lower than that of~~
6 ~~fossil fuels.~~] meets the lifecycle greenhouse gas
7 emissions reduction threshold, product transportation
8 emissions threshold, and feedstock transportation
9 emissions threshold."

10 3. By amending subsection (f) to read:

11 "(f) The total amount of tax credits allowed under this
12 section for all eligible taxpayers in the aggregate in any
13 calendar year shall not exceed [~~\$20,000,000 for all eligible~~
14 ~~taxpayers in any calendar year.~~] the program cap. In the event
15 that the credit claims under this section exceed [~~\$20,000,000~~]
16 the program cap for all eligible taxpayers in any given calendar
17 year, the [~~\$20,000,000~~] total amount allowed shall be [~~divided~~
18 ~~between all~~] allocated to eligible taxpayers [~~for that year~~] in
19 proportion to the total amount of renewable fuels [~~produced by~~
20 ~~all eligible taxpayers.~~] production tax credit claims under this
21 section for the calendar year. Upon reaching [~~\$20,000,000 in~~



1 ~~the aggregate,]~~ the program cap the Hawaii state energy office
2 shall immediately discontinue issuing certificates and notify
3 the department of taxation. [~~In no instance shall the total~~
4 ~~dollar amount of certificates issued exceed \$20,000,000 per~~
5 ~~calendar year.]~~ The total aggregate amount of additional credit
6 value for sustainable aviation fuel under subsection (a)(4)
7 shall not exceed the sustainable aviation fuel additional value
8 cap. To the extent that the proportional allocation and
9 applications of the cap on the amount of the credit claimed by a
10 single taxpayer pursuant to subsection (a)(1) and sustainable
11 aviation fuel additional value cap results in total credits
12 lower than the program cap, the difference between the program
13 cap and the total shall be allocated to any remaining eligible
14 claims from taxpayers that have not exceeded either the cap on
15 the amount of the credit claimed by a single taxpayer pursuant
16 to subsection (a)(1) or sustainable aviation fuel additional
17 value cap in proportion to the renewable fuels production tax
18 credit claims for those taxpayers in the calendar year. To the
19 extent that the limitations of this subsection reduce the amount
20 of a taxpayer's credit, the amount of the reduction shall be
21 available to the taxpayer to be used as a credit in the



1 subsequent calendar year; provided that the credit shall not be
2 carried over for any calendar year thereafter; provided further
3 that the carryover credit shall be subject to the limitations of
4 this subsection."

5 4. By amending subsection (h) to read:

6 "(h) [~~If the credit under this section exceeds the~~
7 ~~taxpayer's net income tax liability, the excess of the credit~~
8 ~~over liability may be used as a credit against the taxpayer's~~
9 ~~net income tax liability in subsequent years until exhausted,~~
10 ~~unless otherwise elected by the taxpayer pursuant to subsections~~
11 ~~(i) or (j).~~] All claims for a credit under this section shall
12 be properly filed on or before the end of the twelfth month
13 following the close of the taxable year for which the credit may
14 be claimed. Failure to comply with the foregoing provision or
15 to provide the certified statement required under subsection (c)
16 shall constitute a waiver of the right to claim the credit."

17 5. By amending subsection (k) to read:

18 "(k) Before the production of any renewable fuels for the
19 calendar year, the taxpayer shall provide written notice of the
20 taxpayer's intention to begin production of renewable fuels.
21 The written notice shall be provided to the department of



1 taxation and the Hawaii state energy office and shall include
2 information on the taxpayer, state facility location, facility
3 production capacity, anticipated production start date, and the
4 taxpayer's contact information. Notwithstanding any other law
5 to the contrary, the written notice described in this
6 subsection, including taxpayer and facility information, shall
7 be available for public inspection and dissemination, subject to
8 chapter 92F."

9 6. By amending subsection (m) to read:

10 "(m) Following each calendar year in which a credit under
11 this section has been claimed, the chief energy officer of the
12 Hawaii state energy office shall submit a written report to the
13 governor and legislature regarding the production and sale of
14 renewable fuels. The report shall include:

15 (1) The number and location of renewable fuels production
16 facilities in the State [~~and outside the State~~] that
17 have claimed a credit under this section;

18 (2) The total number of British thermal units of renewable
19 fuels, itemized by type of fuel produced and sold
20 during the previous calendar year; and



1 (3) The projected number of British thermal units of
2 renewable fuels production for the succeeding year."

3 7. By amending subsection (o) to read:

4 "(o) ~~[As used in]~~ For the purposes of this section:

5 "Credit period" means a maximum period of ten consecutive
6 years, beginning from ~~[the first taxable year in which a~~
7 ~~taxpayer begins renewable fuels production at a level of at~~
8 ~~least two billion five hundred million British thermal units of~~
9 ~~renewable fuels per calendar year.]~~ July 1, 2026.

10 "Feedstock transportation emissions threshold" means the
11 carbon intensity contribution associated with the oceangoing
12 transportation of the feedstock from the feedstock producer to
13 the renewable fuel producer is less than 0.48 kilogram per
14 million British thermal units as determined by the lifecycle
15 greenhouse gas emissions analysis.

16 "Lifecycle greenhouse gas emissions" means the aggregate
17 attributional core lifecycle greenhouse gas emissions values
18 utilizing one of the following:

19 (1) The most recent version of the United States
20 Department of Energy's Argonne National Laboratory's
21 greenhouse gases, regulated emissions, and energy use



1 in technologies (GREET) model, including agricultural
2 practices and carbon capture and sequestration; or
3 (2) Another lifecycle methodology approved by the Hawaii
4 state energy office.

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

9 "Low lifecycle emissions renewable fuels" means renewable
10 fuel that meets the lifecycle greenhouse gas emissions reduction
11 threshold, product transportation emissions threshold, and
12 feedstock transportation emissions threshold.

13 "Net income tax liability" means income tax liability
14 reduced by all other credits allowed under this chapter.

15 "Product transportation emissions threshold" means the
16 carbon intensity contribution associated with the oceangoing
17 transportation of the finished fuel from the renewable fuel
18 producer to the final distribution storage facility is less than
19 0.48 kilogram per million British thermal units as determined by
20 the lifecycle greenhouse gas emissions analysis.

21 "Program cap" means \$20,000,000.



1 "Product transportation emissions threshold" means the
2 carbon intensity contribution associated with the oceangoing
3 transportation of the finished fuel from the renewable fuel
4 producer to the final distribution storage facility is less than
5 0.48 kilogram per million British thermal units as determined by
6 the lifecycle greenhouse gas emissions analysis.

7 "Qualified renewable fuel production costs" means the costs
8 incurred by a qualified production within the State that are
9 subject to the general excise tax under chapter 237 at the
10 highest rate of tax or income tax under this chapter if the
11 costs are not subject to the general excise tax.

12 "Renewable feedstocks" means:

- 13 (1) Biomass crops and other renewable organic material,
14 including but not limited to logs, wood chips, wood
15 pellets, and wood bark;
- 16 (2) Agricultural residue;
- 17 (3) Oil crops, including but not limited to algae, canola,
18 jatropha, palm, soybean, and sunflower;
- 19 (4) Sugar and starch crops, including but not limited to
20 sugar cane and cassava;
- 21 (5) Other agricultural crops;



- 1 (6) Grease, fats, tallows, and waste cooking oil;
- 2 (7) Food wastes;
- 3 (8) Municipal solid wastes [~~and~~], industrial wastes[~~+~~],
4 and construction and demolition wastes;
- 5 (9) Water, including wastewater; [~~and~~]
- 6 (10) Bio-intermediate ethanol produced from renewable
7 feedstock;
- 8 [~~(10)~~] (11) Animal residues and wastes[~~+~~];
- 9 (12) Biogas or renewable natural gas;
- 10 (13) Gaseous carbon dioxide; and
- 11 (14) Renewable or zero carbon energy resources,
12 that can be used to generate energy.
- 13 "Renewable fuels" means fuels produced from renewable
14 feedstocks; provided that the fuel:
- 15 (1) Is sold and consumed as a fuel in the State; [~~and~~]
- 16 (2) Meets the lifecycle greenhouse gas emissions reduction
17 threshold; and
- 18 [~~(2)~~] (3) Meets the relevant ASTM International
19 specifications or other industry specifications for
20 the particular fuel, including but not limited to:
- 21 (A) Methanol, ethanol, or other alcohols;



- 1 (B) Hydrogen;
- 2 (C) Biodiesel or renewable diesel;
- 3 (D) Biogas;
- 4 (E) Other biofuels;
- 5 (F) Renewable [~~jet fuel or renewable~~] gasoline[+] or
6 renewable naphtha;
- 7 (G) Renewable propane or renewable liquid petroleum
8 gases;
- 9 (H) Sustainable aviation fuel; or
- 10 [+G] (I) Logs, wood chips, wood pellets, or wood
11 bark.

12 "Sustainable aviation fuel" means liquid fuel that:

- 13 (1) Consists of synthesized hydrocarbons and meets the
14 requirements of the American Society for Testing and
15 Materials International Standard D7566 or D1655; and
16 (2) Is derived from renewable feedstocks.

17 "Sustainable aviation fuel additional value cap" means
18 fifty per cent of the total aggregate amount of renewable fuels
19 production tax credits allowed in any year."

20 SECTION 3. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 3000, and
2 shall apply to taxable years beginning after December 31, 2026.



Report Title:

Fuel Tax Credit; Renewable Fuel; Sustainable Aviation Fuel;
Renewable Fuels Production Tax Credit

Description:

Expands the provisions of the Renewable Fuels Production Tax Credit. Clarifies that the Renewable Fuels Production Tax Credit shall only be claimed by taxpayers for which qualified renewable fuels production costs are incurred within the State and sold for distribution within the State. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (SD1)

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