

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
NO. 1 CAPITOL DISTRICT BUILDING
250 SOUTH HOTEL STREET, SUITE 107
HONOLULU, HAWAII 96813
TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oip@hawaii.gov

To: Senate Committee on Ways and Means

From: Carlotta Amerino, Director

Date: February 25, 2026, 10:55 a.m.
State Capitol, Conference Room 211

Re: Testimony on S.B. No. 2376, S.D. 1
Relating to the Renewable Fuels Production Tax Credit

Thank you for the opportunity to submit testimony on this bill, which would amend the requirements of the renewable fuels production tax credit. The Office of Information Practices (OIP) takes no position on the substance of this bill, but offers comments on a confidentiality provision and exemption from disclosure under the Uniform Information Practices Act (UIPA), chapter 92F, Hawaii Revised Statutes (HRS), on page 5.

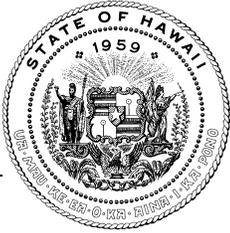
An amendment to subsection 235-110.32(g), HRS, on bill page 5, lines 3-11, provides that information collected by the State Energy Office for the purpose of the renewable fuels tax credit is “confidential and exempt from public disclosure” if it (1) “identif[ies] the specific location of a renewable fuel production facility” or (2) “is determined to constitute critical energy infrastructure information pursuant to section 215A(d) of the Federal Power Act (16 U.S.C. 824o-1), the disclosure of which could reasonably be expected to jeopardize the security, safety, or operational resilience of critical energy infrastructure[.]”

OIP does not object to treating as confidential information determined to be critical energy infrastructure information where its disclosure meets the standard

of being reasonably expected to jeopardize the security, safety, or operational resilience of critical energy infrastructure. When disclosure of information could reasonably be expected to have such an effect, it could be withheld under the UIPA's exception to disclosure for information whose disclosure would frustrate a legitimate government function. However, OIP questions why the location of a renewable fuel production facility should be confidential when the location does **not** constitute critical energy infrastructure and its disclosure would **not** reasonably be expected to jeopardize the security, safety, or operational resilience of critical energy infrastructure. If disclosure of the facility location would jeopardize security, safety, or operational resilience then it could be withheld as critical energy infrastructure under option two, whereas if disclosure of the facility location would not have any of those effects there does not appear to be a sufficient basis to treat it as confidential and not disclosable under the UIPA.

OIP therefore respectfully requests that this Committee **delete from bill page 5, lines 4-5, the phrase “identifying the specific location of a renewable fuel production facility, or information[.]”** The amended language would then make confidential any “information under subsections (c), (d), (k), and (l) that is determined to constitute critical energy infrastructure information . . .” as described in the remainder of the subsection.

Thank you for considering OIP's testimony.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

(808) 451-6648
energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 25, 2026
10:55 AM
State Capitol, Conference Room 211, and Videoconference

Providing Comments on
SB 2376, SD1

RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on SB 2376, SD1, which amends the Renewable Fuels Production Tax Credit (RFPTC), Section 235-110, Hawai'i Revised Statutes (HRS). Amendments 1) clarify that the RFPTC 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, 2) allow taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements, and extends the time frame for taxpayers to file certain statements.

HSEO offers the following comments and context on the remaining provisions of the bill and defers to the Department of Taxation on any additional administrative or compliance considerations.

The bill maintains existing guardrails, including:

- A credit value of \$0.20 per 76,000 BTUs (lower heating value);
- A \$3.5 million annual cap per taxpayer;
- A minimum annual production threshold of 2.5 billion BTUs; and

- A requirement that eligible fuels demonstrate lifecycle greenhouse gas emissions below those of fossil fuels.

While HSEO appreciates the in-state clarification included in SB 2376, SD1, (page 1, lines 14-15), as this clarification aligns the RFPTC with its underlying policy objective of encouraging renewable fuel production and use occurring within Hawai'i, HSEO notes that in-state production alone is unlikely to achieve the scale of greenhouse gas reductions needed. Due primarily to land use constraints, any substantial progress towards greenhouse gas reductions will most likely require substantial imports of refined renewable fuels and/or feedstocks. HSEO further notes that imported fuels may offer meaningful greenhouse gas reduction potential; however, such potential cannot be assumed without lifecycle verification and reporting requirements not currently in place to ensure claimed emissions reductions are measured and verifiable. To achieve Hawai'i's decarbonization objectives, HSEO asserts that a flexible approach to accommodate both in-state and qualifying imported fuels supported by robust lifecycle greenhouse gas accounting is necessary.

Additionally, SB 2376, SD1, clarifies the treatment of related entities by allowing separate ten-year credit periods for each qualifying production facility, rather than limiting eligibility based solely on corporate affiliation (page 2, lines 15-17). This approach more accurately reflects facility-level investment and production decisions and supports the development of additional renewable fuel capacity within the State. HSEO supports this clarification as a targeted improvement that reinforces the RFPTC's in-state focus without expanding the overall credit value or per-taxpayer cap.

Reporting requirement amendments are summarized in the table below.

Category	Current Statute	New Requirement (Per SB2376, SD1)
Filing Deadline	No later than 30 days after the close of the calendar year.	No later than 90 days after the close of the calendar year.
Employee Data	Must report the number of full-time and part-time employees AND their states of residency.	Must report the number of full-time and part-time employees only. (Residency data removed).

Category	Current Statute	New Requirement (Per SB2376, SD1)
Facility Data	Report the number/location of production facilities inside and outside the State.	Report the number and state location of production facilities. (Refocused on Hawai'i-specific impact).
Credit Tracking	Total credit for the year only.	Must report the current year credit AND the cumulative amount received over the 10 years.
Environmental Data	General proof of eligibility (lifecycle emissions below fossil fuels).	Must report specific lifecycle greenhouse gas emissions per BTU for each fuel type.
Public Accessibility	Generally public under Chapter 92F.	Specific locations and Critical Energy Infrastructure Information (CEII) are now Confidential.

The bill also introduces a rollover mechanism (page 4, lines 13-18) under which excess claims are treated as having been applied for in a subsequent year. While this provision may increase predictability for taxpayers, it also raises questions regarding budgeting, timing of credit realization, and long-term fiscal exposure.

Below is HSEO's summary of this provision and potential impacts.

- Current Statute: If the \$20M cap is hit, certificates are discontinued.
- SB 2376, SD1 Revision: If applications exceed the \$20M cap, the excess is treated as having been applied for in the subsequent year. This ensures taxpayers do not lose out entirely if the program is oversubscribed.

Ultimately, the total state-wide cap for this credit remains \$20 million per year; however, a significant "pro-taxpayer" change was added.

If the state's \$20 million annual limit is maxed out before taxpayers get the full credit, they do not lose the money. Instead, the State pushes the claim to the front of the line for the following year. In practical terms, if claims total \$25 million in a given year, \$20 million is distributed on a proportional basis, and the remaining \$5 million is automatically deferred to the following year.

Implications for the Taxpayer (The Pros)

- **Investment Certainty:** This reduces the "race to apply" dynamic. Large-scale producers can invest in infrastructure knowing that even if the state's budget is tight one year, they will eventually receive the credit.
- **Audit and Financial Planning:** It allows companies to carry an "account receivable" or deferred tax asset on their books, which is much better for financial planning than a contingent credit.

Implications and considerations for the State (The Potential Risks)

- **Budget "Snowballing":** If Hawai'i producers consistently produce more renewable fuel than the \$20 million cap allows, a backlog will form. Eventually, the first \$15 million or even the full \$20 million of a future year's budget could be "pre-spent" on fuel produced years prior.
- **Dilution:** Note that Subsection (f) still says if the cap is exceeded, the money is "divided between all eligible taxpayers... in proportion." The rollover ensures producers get the value eventually, but it might be spread across multiple years rather than a lump sum.

Important Nuance: The bill states that the credit is allowed for a ten-year credit period. If the credits keep rolling forward because the state cap is always hit, the state might still process "Year 10" credits in Year 12 or 13.

Recommendation: Given the implications for the State, HSEO recommends removing the added rollover language (page 4, lines 13-18).

Thank you for the opportunity to testify.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 25, 2026

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 2376, SD1
RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT

Conference Room 211 & Videoconference
10:55 AM

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 2376, SD1, which strengthens and clarifies the renewable fuels production tax credit, providing greater certainty for in-state renewable fuel production. For agriculture, this credit represents a potential value-added opportunity for locally grown crops, agricultural residues, and byproducts to serve as renewable fuel feedstocks.

Locally grown biofuel feedstocks can provide farmers with additional revenue streams, particularly when cultivated on marginal or underutilized lands. In some cases, these crops may also function as cover crops, contributing to improved soil health, reduced erosion, and more sustainable land management practices while still producing marketable outputs. Integrated systems that utilize agricultural residues and waste streams can further generate co-products such as livestock or aquaculture feed, strengthening both the agricultural and energy sectors while keeping economic activity within Hawai'i.

Market certainty is critical for farmers considering whether to invest in new crops or production systems. Renewable fuel feedstock production requires forward planning, acreage commitments, and long-term agreements. The tax credit must provide a sufficiently strong and predictable market signal to support participation at the farm level. As this measure moves forward, we encourage continued collaboration to ensure the credit structure meaningfully supports in-state agricultural production and aligns with Hawai'i's cost environment.

Renewable fuel opportunities can complement agriculture, but only if viable agricultural operations are able to persist and grow. Continued attention to land access, water availability, labor, invasive species pressures, transportation costs, and energy costs remains essential to ensuring that agriculture can fully participate in Hawai'i's renewable energy future.

Thank you for the opportunity to provide testimony.

February 25, 2026

Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Wednesday, February 25, 2026. 10:55 a.m.
Conference Room #211 and via Videoconference



RE: SB 2376 SD1 – Related to the Renewable Fuels Production Tax Credit

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

My name is Kiran Polk, and I am the Executive Director & CEO of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region including Waipahu, Kapolei, 'Ewa Beach, Nānakūli, Wai'anae and Mākaha. We work on behalf of our members and the broader business community to improve the regional and State economic climate and to help West O'ahu businesses thrive.

The Kapolei Chamber of Commerce **supports SB 2376 SD1**, which makes targeted, clarifying updates to the Renewable Fuels Production Tax Credit beginning with taxable years starting January 1, 2027 by clarifying that the credit may only be claimed by taxpayers for whom qualified renewable fuels production costs are incurred within the State and whose fuels are sold for distribution within the State, allowing taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets the program's eligibility requirements, and extending the timeframe for taxpayers to file required statements with the Hawai'i State Energy Office to improve administrative efficiency and compliance.

From a business and economic perspective, these clarifications support Hawai'i's energy security while reinforcing a stable and predictable policy environment for in-state investment. In West O'ahu, where significant industrial, logistics, and energy-related activity is located; clear and well-administered programs help sustain local jobs, support workforce transition, and provide greater certainty for long-term planning.

For these reasons, the Kapolei Chamber of Commerce respectfully urges your support of **SB 2376 SD1**. Mahalo for the opportunity to provide testimony and for your continued leadership on issues that support Hawai'i's economy, workforce, and long-term resilience.

Respectfully submitted,

Best,

Kiran Polk
Executive Director & CEO



February 24, 2026

**TESTIMONY IN SUPPORT OF SB 2376 SD1
RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT**

Senate Committee on Ways and Means (WAM)
Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

February 25, 2026, 10:55 AM
Conference Room 211
State Capitol
415 South Beretania Street

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Thank you for the opportunity to provide testimony in **SUPPORT** of **SB 2376 SD1**, Relating to the Renewable Fuels Production Tax Credit. We respectfully urge the Committee to advance this measure with amendments to ensure it fulfills its purpose of effectively supporting Hawaii-based renewable fuel production and providing economic benefits to a broad range of local businesses and sectors. Specifically, we urge you to incorporate the low lifecycle emissions renewable fuels framework as well as other provisions used in SB 2403.

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

Adding this language requires fuels to meet defined thresholds for lifecycle greenhouse gas emissions, as well as limits on emissions associated with transporting both the feedstock and the finished fuel. This methodology strongly supports in-state production of renewable fuel and locally grown feedstocks by incentivizing shorter transportation distances and lower associated emissions. By focusing on objective environmental performance standards, the policy can maximize local economic opportunity while advancing Hawai'i's climate and long-term energy goals. This will help establish a new agricultural market by providing an additional credit of \$1 per gallon for low lifecycle emissions renewable fuels, which can be produced from locally grown renewable feedstocks.

Pono Pacific is Hawai'i's first and largest private natural resource conservation company, providing land management, restoration services, sustainable agricultural development,



renewable energy, and eco-asset development for projects throughout the state. Our work is focused on activating working lands, increasing food security and community engagement, and protecting natural resources to build a more resilient future for Hawai'i.

Finding viable uses for agricultural lands that promote environmental sustainability while generating positive economic returns is a critical need for Hawai'i. Locally grown biofuel feedstocks such as camelina can be grown in rotation with food crops or on currently fallow land, improving soil health and reducing erosion. Camelina trials completed in 2025 across Oahu, Maui and Kauai produced encouraging results, averaging approximately 1,200 pounds of seed per acre, and local farmers, ranchers, and feed producers have expressed strong interest in the crop's potential. Pono Pacific recently entered into an agreement with HARC to continue trials of Camelina on Oahu through 2026 with the goal of improving both yield per acre and oil content through further research and development.

Camelina requires less water and fertilizer than traditional row crops, making it well suited to Hawai'i's diverse landscapes. In addition to supplying low-carbon feedstock for renewable fuels, camelina produces nutritious meal that can be used as feed for cattle and chickens or processed into pellets for aquaculture feed, creating multiple revenue streams from a single crop. By creating a stable demand for these crops and their byproducts, the renewable fuels industry can help revitalize rural communities, create new jobs, and diversify farm income streams across the islands.

We urge you to pass this legislation with amendments. Thank you for your time and consideration.

Mahalo,

Chris Bennett
Vice President of Sustainable Energy Solutions
Pono Pacific Land Management, LLC
Pono Energy Inc.



Camelina FAQs

What other industries can benefit from growing Camelina?

Beyond supplying oil for renewable fuel production at the Par Hawaii refinery, camelina creates meaningful value through its co-products, particularly camelina meal. The high-protein seed cake remaining after oil extraction can be used as livestock feed for cattle and poultry, incorporated into aquaculture pellets, thereby reducing Hawai'i's dependence on costly imported feed inputs. This supports local ranchers, dairies, egg producers, and aquaculture operations while keeping more dollars circulating within the state. In addition, we have had discussions with companies exploring the use of camelina meal as a feedstock for bio-based materials, including bioplastics, which could open an entirely new value-added manufacturing pathway in Hawai'i. These diversified end uses strengthen the overall economics of the crop, create multiple revenue streams from a single acre, and help build a more resilient, circular agricultural and clean energy economy.

What agricultural lands will be used?

According to recent informational testimony to the Hawai'i Senate from the Hawai'i Farm Bureau and others, Hawai'i farms are on the decline – down 10% from 2017 to 2022. Efforts are underway to expand Hawai'i agriculture, expand Hawai'i lands in production, and expand the availability of Hawai'i-grown feed for our ranching communities. Our focus is on former sugarcane/pineapple lands with low opportunity cost, reactivating these lands for both renewable fuel feedstocks and food production, and at the same time mitigating fire hazards from unmanaged lands. There are tens of thousands of acres of these lands available on Kaua'i, Maui County, Oahu and Hawai'i Island. These lands are held by private entities such as Kamehameha Schools, Maui Land and Pineapple, Grove Farm, Gay & Robinson, as well as various government agencies.

Although we are several years from commercial production, we are engaged in ongoing discussions with many of these landowners to enter into potential lease agreements. We currently hope to scale the project up to 1,500 acres by the end of 2027, and up to 25,000 acres over the following 5 years focusing on privately held fallow lands previously in sugar and pineapple production, as well as rotating with food production on currently active lands.

What are the water requirements for growing Camelina?

Pono Pacific recognizes that water use and management in Hawai'i have historically been sensitive and complex issues, and we remain mindful of that context in all aspects of our work.



Camelina is not a water intensive plant, and in reality, camelina does not like ‘wet feet’ (too much water). A combination of 8-12 inches of rainfall and irrigation across its 80-day growing cycle is all that is required, with some producers on the Continent recommending even lower rates of 4-6”. Germination and emergence, then pre-flowering, are the critical stages for irrigation. Camelina needs good soil moisture for a uniform stand establishment and even germination. Very limited watering, if any, is recommended after flowering due to lodging commonly occurring. This works out to approximately 2,715 gallons per acre per day – again, a combination of rainfall and irrigation. Here is a comparison to other common Hawai’i-grown crops, per information from the Hawai’i Department of Agriculture ([AGRICULTURAL WATER USE AND DEVELOPMENT PLAN](#)):

HDOA IRRIGATION WATER USE GUIDELINES (2004 AWUDP)

Crop	Water Use Rate (gals/acre/day)	Crop	Water Use Rate (gals/acre/day)
Alfalfa/Corn (grain)	7,700	Orchids	3,700
Aquaculture	145,000	Papaya	5,000
Dendrobium	4,000	Passion Fruit	10,000
Field Crops (grass & seed)	6,700	Pineapple	1,350
Foliage Plants	4,000 - 6,000	Protea	2,000-2,500
Forage Crops	7,400	Sugarcane (drip)	6,700
Guava	4,400	Sugarcane (furrow)	10,000
Leafy Vegetables (drip)	4,050	Taro (Asian)	4,000 - 8,000
Leafy Vegetables (sprinkler)	5,400	Taro (dryland)	5,400
Macadamia Nuts	4,400	Taro (wetland)	80,000 - 100,000
Nursery (potted plants)	6,000	Vegetables	6,700

Takeaway: Although the exact amount can vary significantly depending on several factors, Camelina’s low water requirement, combined with its short cycle, makes it attractive for regions where water resources are limited.



Camelina flowering on Oahu



Camelina seed pods on Maui



Camelina field on Kauai



Camelina field on Kauai





February 25, 2026

**COMMENTS TO
SB 2376 SD1
RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT**

Senate Committee on Ways and Means
The Honorable Donovan Dela Cruz, Chair
The Honorable Sharon Moriwaki, Vice Chair

Wednesday, February 25, 2026, 10:55 a.m.

VIA VIDEOCONFERENCE
Conference Room 211
State Capitol
415 South Beretania Street

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Island Energy Services, LLC ("IES") offers the following comments on SB 2376 SD1 which proposes the establishment of a sustainable aviation fuel tax credit program for the State.

- The current language of SB 2376 SD1 indicates it is intended to "support local production of SAF and other renewable fuels" the State goals are best served by allowing any imported finished sustainable aviation fuel and other renewable fuels produced outside of Hawai'i to qualify for the same proposed tax credit provided it meets the same lifecycle greenhouse gas emission threshold.

We thank the Senate Ways and Means Committee for hearing this bill and thank you for the opportunity to testify.

Albert D.K. Chee, Jr
Executive Vice President Island Energy Services, LLC



TESTIMONY TO THE COMMITTEE ON WAYS AND MEANS

10:55 AM, FEBRUARY 25, 2026

Conference Room 211 & Via Videoconference

SB 2376 SD1

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee,

Hawaii Clean Power Alliance (HCPA) **supports SB 2376 SD1**, 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. Allows taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements. Extends the time frame for taxpayers to file certain statements with the Hawai'i State Energy Office.

This bill makes limited refinements to the Renewable Fuels Production Tax Credit to improve clarity, fairness, and investment predictability, while maintaining all existing fiscal guardrails. The bill does not expand the size or scope of the credit. Instead, it ensures the incentive functions as intended by supporting qualifying renewable fuel production that contributes to Hawai'i's energy objectives, economic and jobs outcomes.

The bill incents innovation, diverse technologies and allows multiple investments by experienced producers, improving market certainty and recognizing that renewable fuel projects are developed and financed on an individual project basis. Allowing independently qualifying facilities to access separate credit periods removes a structural disincentive to incremental investment, without increasing per project or statewide caps. This adjustment supports orderly development and fair competition among participants rather than favoring any particular technology, company or business model.

The bill also enhances predictability by allowing proportional allocation and carryforward of credits when the statewide cap is reached, reducing arbitrary timing risk while preserving the statutory cap. Administrative updates, including a modest extension of reporting timelines, reflect standard verification practices and maintain transparency while protecting sensitive infrastructure information.

Overall, SB2376 SD1 strengthens an existing policy tool without increasing its fiscal impact. It improves program administration, treats applicants equitably, and supports continued private investment aligned with Hawai'i's long-term energy goals, jobs creation and economic development.

We respectfully ask the Committee to pass SB2376 SD1.

Thank you for the opportunity to testify.



February 25, 2026

**TESTIMONY ON SB 2376 SD1
RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT**

Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Wednesday, February 25 at 10:55 a.m.
State Capitol, Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

My name is Eric Wright and I serve as President of Par Hawaii. Par Hawaii is the largest local supplier of fuels, including various grades of utility fuels, as well as diesel, jet fuel, gasoline and propane.

Thank you for the opportunity to provide testimony in **SUPPORT** of SB 2376 SD1, Relating to the Renewable Fuels Production Tax Credit. We note that SB 2403 is the preferred measure for updating and strengthening the Renewable Fuels Production Tax Credit (RFPTC). The structure and policy design of SB 2403 more effectively supports Hawaii-based renewable fuel production, aligns with the State's climate and energy-security goals, and preserves the administrative clarity needed for timely implementation.

SB 2403 increases the base credit from 20 cents to 35 cents per 76,000 BTU and adds two targeted enhancements which lower costs for consumers:

- \$1.00 per diesel-gallon-equivalent for low-lifecycle-emissions renewable fuels
- \$1.00 per gallon for sustainable aviation fuel (SAF)

These additions are essential to closing the cost gap between renewable fuels and imported petroleum. Without these enhancements, Hawaii-produced renewable fuels will remain significantly more expensive than fossil fuels and will be diverted to higher-value markets on the West Coast. SB 2403 directly addresses this risk.

Second, SB 2403 maintains the existing RFPTC framework while improving it. SB 2376, by contrast, introduces structural changes—such as multiple ten-year credit periods per facility—that create uncertainty, increase administrative burden, and could unintentionally dilute the program's effectiveness.

Par Hawaii has invested over \$100 million to construct Hawaii's largest renewable fuels manufacturing facility at Kapolei, expected to produce 61 million gallons per year of renewable diesel, sustainable aviation fuel, and renewable naphtha. We believe these amendments provide the level of certainty and incentive strength needed to ensure renewable fuels produced in Hawaii stay in Hawaii.

Mahalo for the opportunity to submit testimony in support of SB 2376 SD1, but we prefer SB 2403.

**TESTIMONY IN SUPPORT OF SB 2376 SD1 RELATING TO THE RENEWABLE FUELS
PRODUCTION TAX CREDIT**

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Senate Committee on Ways and Means,

My name is Nahelani Parsons, and I am the Executive Director of the Hawai'i Renewable Fuels Coalition (HRFC). On behalf of our coalition members across the energy, agriculture, labor, and transportation sectors, we offer our strong support for SB2376 SD1, which updates the Renewable Fuels Production Tax Credit (RFPTC). We respectfully urge the Committee to advance this measure with targeted amendments to ensure it fulfills its intended role as a catalyst for a new, locally rooted renewable fuels economy.

The HRFC is a diverse alliance of stakeholders working to achieve Hawai'i's renewable energy goals. Our founding members include:

- **Hawaiian/Alaska Airlines:** Leaders in adopting Sustainable Aviation Fuel (SAF) to decarbonize the aviation sector.
- **Pono Pacific:** Hawai'i's largest natural resource conservation company, advancing oil crop feedstock cultivation to support renewable fuel production.
- **Par Hawai'i:** The state's largest energy supplier, investing over \$100 million in renewable fuel production technology to strengthen energy security and sustainability.

In addition to these partners, HRFC collaborates with:

Pacific Biodiesel, a local producer of biodiesel. The Hawai'i Farm Bureau, representing 1,800 farm families statewide, to support renewable feedstock cultivation and enhance food and energy security. Ranchers, dairy farmers, and conservationists, such as Meadow Gold and Haleakalā Ranch, contributing to Hawai'i's resilience and self-sufficiency. Airlines for America, which advocates for SAF adoption nationwide to reduce aviation emissions.

Hawai'i Renewable Fuels Coalition members:

Airlines for America	Alaska Airlines	Haleakala Ranch
Hawaii Farm Bureau	Hawaii Fuelling Facilities Corp	Hawaiian Airlines
HECO	ITOCHU Corporation	Japan Airlines
Kuilima Farm	Meadow Gold Hawaii	Pacific Biodiesel
Par Hawaii	Pono Pacific	United Steelworkers

The Role of the Coalition and Why This Credit Matters

The Hawai'i Renewable Fuels Coalition is a broad, cross-sector partnership representing agriculture, energy, labor, transportation, and community stakeholders. As Executive Director, my role is to bring together the many voices impacted by a policy like this and help align them around a shared goal: building a new economic driver for Hawai'i that connects renewable fuel production with local agriculture, workforce transition, and long-term energy security.

Updating the RFPTC to make it accessible advances Hawai'i's response to the *Navahine v. HDOT* climate settlement by providing the financial mechanism needed to support the production of renewable fuels such as sustainable aviation fuel (SAF) and renewable diesel. With the transportation sector contributing nearly half of Hawai'i's greenhouse gas emissions, and with aviation fuel consumption exceeding 700 million gallons annually, this measure offers a realistic and scalable pathway to decarbonize transportation while strengthening local economic resilience and supporting Hawai'i-based jobs and agriculture.

Renewable fuels, especially sustainable aviation fuel and renewable diesel, represent one of the few climate solutions that can:

- Create new demand for agricultural production,
- Put underutilized lands back into productive use,
- Support skilled, local jobs, and
- Keep energy dollars circulating in Hawai'i instead of leaving the state.

The Renewable Fuels Production Tax Credit (RFPTC) is the foundation of that system. Without it being properly calibrated, the system simply does not work.

Support SB2376 SD1 With Amendments

We understand and appreciate that the intent of SB2376 SD1 is to prioritize production in Hawai'i, and we share that goal. However, the current credit structure does not yet provide a strong enough signal to farmers, producers, or investors to build this new market at scale.

The Coalition believes the most effective approach is one that recognizes building a local renewable fuels economy requires a tax credit that reflects real production costs, rewards

fuels with the lowest climate impact, and supports in-state production in a legally sound and durable manner. As SB2376 SD1 is the measure currently under consideration, our goal is to work collaboratively to refine its core provisions so the credit can maximize the economic, agricultural, and environmental opportunities available to Hawai'i. By strengthening the policy's structure and incentives, we can ensure it delivers meaningful progress toward the State's long-term energy security and climate goals.

Why We Are Recommending Changes to the Credit Amount

We strongly recommend increasing the Renewable Fuels Production Tax Credit from 20 cents to 35 cents per 76,000 BTUs. At the current 20-cent level, the credit does not adequately support feedstock cultivation, long-term offtake agreements, or the capital investments needed for local refining and processing. A 35-cent credit more accurately reflects Hawai'i's cost environment and provides the level of certainty farmers, producers, and investors need to move projects forward and commit to building a local renewable fuels market.

Addressing the \$3.5 Million Per-Producer Cap

SB2376 SD1 currently includes a \$3.5 million annual cap per producer. While we understand the importance of program safeguards, we respectfully ask the Legislature to consider increasing this cap to better reflect the scale of opportunity before us. Hawai'i is projected to have access to nearly **70 million gallons of renewable fuel**, and allowing producers to reach sufficient scale is essential to maximizing the economic, workforce, and agricultural benefits for our communities. Providing additional flexibility in the per-producer cap would help ensure Hawai'i can capture as much of this opportunity as is economically feasible, particularly in the early years when anchor projects are critical to establishing a successful local renewable fuels market.

Prioritizing Local Production

We understand and appreciate that the intent of SB2376 SD1 is to prioritize renewable fuel production in Hawai'i, and we share that goal. We also strongly support the development and use of local feedstocks as a core component of building a resilient, Hawai'i-based renewable fuels economy. Strengthening local agriculture and integrating Hawai'i-grown feedstocks into renewable fuel production is essential to maximizing economic, environmental, and energy security benefits for the State.



One effective way to accomplish this is through a “low lifecycle emissions renewable fuels” standard. This framework provides an additional \$1 per gallon credit for fuels that meet limits on emissions associated with transporting feedstock. In practice, this structure strongly supports local feedstocks, since feedstocks grown and produced closer to where they are used inherently benefit from shorter transportation distances, lower associated emissions, and stronger alignment with Hawai‘i’s agricultural sector. By focusing on objective environmental performance standards, the policy can maximize local economic opportunity while advancing Hawai‘i’s climate and long-term energy goals.

Enabling Sustainable Aviation Fuel (SAF)

The additional \$1 per gallon credit for sustainable aviation fuel (SAF) reflects the economic realities of the aviation sector. Without this additional value, producers will not have incentive to allocate any production volume to SAF. SAF is significantly more expensive to produce than conventional jet fuel and, in many cases, more costly than other renewable fuels due to its stringent ASTM specifications, advanced processing requirements, lower yield, and evolving supply chains. Aviation is also Hawai‘i’s largest transportation fuel market and one of the most difficult sectors to decarbonize. Providing an additional value for SAF helps close the price gap, attracts investment, levels the playing field with renewable diesel, and signals that Hawai‘i is serious about reducing emissions in air transportation. This targeted incentive ensures that SAF production is financially viable while supporting the broader goal of building a competitive, locally integrated renewable fuels industry.

Why This Matters for Agriculture

Farmers will not plant crops without a reliable and stable market signal, and the Renewable Fuels Production Tax Credit including the amendments noted above provides that certainty. Renewable fuel crops such as camelina and other oilseeds can be grown on fallow or rotational agricultural lands, do not displace food crops, and help improve soil health while keeping land actively managed and reducing wildfire risk. Through ongoing crop trials, camelina has shown particular promise in Hawai‘i due to its low water requirements and suitability for local growing conditions. These crops also generate valuable byproducts that can be used as local feed for Hawai‘i’s ranchers and farmers, further strengthening the agricultural economy. However, this system only works if the RFPTC is strong enough to support the full value chain, from feedstock cultivation and processing to fuel production, so farmers can confidently invest, plan acreage, and participate in a growing local renewable fuels market.

Proposed amendments to SB2376 SD1:

- 1. Increasing the credit value from 20 cents to 35 cents per 76,000 BTU.**
- 2. Modify the \$3.5 million per-producer cap, to 75% of the program cap per producer.**
- 3. Incorporating the \$1 additional credit for low lifecycle emissions renewable fuels, to further incentivize local feedstock.**
- 4. Adding an additional \$1 credit for SAF to level the playing field with renewable diesel and encourage producers to allocate some production volume to SAF.**

These updates would help establish a coordinated system that connects agriculture, energy, labor, and climate responsibility in a way that delivers lasting benefits to communities across Hawai'i. We respectfully urge the Legislature to advance SB2376 SD1 with these amendments.

Mahalo for the opportunity to testify and for your leadership on this important issue.

Nahelani Parsons,

Executive Director, Hawai'i Renewable Fuels Coalition



Testimony of
ALASKA AIRLINES and HAWAIIAN AIRLINES

Before the Senate Committee on
WAYS AND MEANS

Wednesday, February 25, 2026
10:55 A.M.

Hawai'i State Capitol, Room 211

In consideration of
SENATE BILL 2376 SD1
RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT

The Honorable Donovan Dela Cruz, Chair of the Committee on Ways and Means
The Honorable Sharon Moriwaki, Vice Chair of the Committee on Ways and Means
Members of the Senate Committee on Ways and Means

Re: Testimony In Support of S.B. 2376, S.D. 1

Chair Dela Cruz, Vice-Chair Moriwaki and members of the committee:

Alaska Airlines and Hawaiian Airlines respectfully submit testimony in support of SB 2376 SD1, relating to the Renewable Fuels Production Tax Credit (RFPTC), provided that the measure is amended to ensure it meaningfully supports in-state renewable fuel production and the development of sustainable aviation fuel (SAF) in Hawai'i.

As carriers deeply rooted in Hawai'i, we recognize that aviation is both essential to the State's economy and a significant contributor to transportation-related greenhouse gas emissions. Hawai'i's geographic isolation makes air travel indispensable. At the same time, it makes the decarbonization of aviation uniquely challenging. Sustainable aviation fuel represents the most viable near-term pathway to reducing lifecycle aviation emissions at scale.

We strongly support updating and strengthening the RFPTC so it can serve as a credible market signal for local renewable fuel production. However, the credit must be calibrated at a level that reflects the cost structure for renewable fuel production, incentivizes local agriculture, and encourages SAF production.

Consistent with the framework outlined by stakeholders, we respectfully recommend the following amendments:

- First, increase the base credit from 20 cents to 35 cents per 76,000 BTUs. At the current level, the credit is unlikely to support the long-term offtake agreements, feedstock

cultivation, and refining investments necessary to establish a viable in-state renewable fuels market. A 35-cent credit better reflects Hawai'i's operating environment and provides a stronger foundation for investor confidence.

- Second, revisit the \$3.5 million annual per-producer cap. While we appreciate the Legislature's desire for program safeguards, early anchor projects will require sufficient scale to justify capital deployment. Providing greater flexibility in the per-producer cap will help Hawai'i capture more of the projected renewable fuel opportunity and maximize workforce and agricultural benefits.
- Third, incorporate a \$1 per gallon additional credit for low lifecycle emissions renewable fuels to incentivize local crop-based feedstock production.
- And finally, incorporate \$1 per gallon additional value for SAF. SAF is less profitable for producers compared to renewable diesel because it has a lower yield and it must meet rigorous ASTM standards and undergo advanced processing. Without targeted incentives, SAF production will struggle to compete. A dedicated SAF incentive signals that Hawai'i is serious about addressing emissions in one of its largest transportation fuel sectors.

We also support structuring the program around objective lifecycle emissions performance standards. A low lifecycle emissions framework inherently favors fuels produced closer to their point of use, reduces transportation-related emissions, and strengthens alignment with Hawai'i-grown feedstocks. This approach advances climate objectives while encouraging local agricultural participation and in-state production in a legally durable manner.

For Alaska Airlines and Hawaiian Airlines, this issue is not theoretical. Hawai'i consumes more than 700 million gallons of aviation fuel annually. Even modest SAF blending would represent a meaningful emissions reduction while keeping energy dollars circulating locally. A properly structured RFPTC can catalyze investment that links agriculture, refining, labor, and aviation into a coordinated clean energy system.

SB 2376 SD1 moves Hawai'i in the right direction. With targeted amendments to strengthen the credit amount, adjust the per-producer cap, and include a meaningful SAF incentive, this measure can help establish a locally integrated renewable fuels economy that supports farmers, creates skilled jobs, enhances energy security, and advances the State's climate commitments.

We respectfully urge the Committee to pass SB 2376 SD1 with these amendments.

Mahalo for the opportunity to provide testimony .

SB-2376-SD-1

Submitted on: 2/23/2026 8:56:26 PM

Testimony for WAM on 2/25/2026 10:55:00 AM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Comments	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry,

Comment 2376 SB RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT.

CITY & COUNTY OF HNL, WASTEWATER TREATMENT FACIITY OUTPUT, HUMAN WASTE INSTEAD OF DISCHARGE IN THE OCEAN POLLUTION AKU, ETC. AND MARINE LIFE.

FUEL TAX CREDIT IN LINE WITH FOOD TAX CREDIT CRETERIA



**TESTIMONY OF TINA YAMAKI, MANAGING DIRECTOR
HAWAII TRANSPORTATION ASSOCIATION
FEBRUARY 12, 2026**

SB 2376 RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT.

Aloha Chair Dela Cruz and members of the Senate Committee on Ways and Means. I am Tina Yamaki, Managing Director of the Hawaii Transportation Association and I appreciate this opportunity to testify.

The Hawaii Transportation Association (HTA Hawaii) was founded in 1938 and incorporated in 1963, and is a private, non-profit trade organization dedicated to the service and assistance to the commercial ground transportation industry in the State of Hawaii. Our members include family owned small and medium sized businesses, independent owner operators, and national motor carriers range from delivery services to passenger carriers - as well as allied industry partners.

The HTA Hawaii supports SB 2376. This measure for taxable years beginning 1/1/2027, 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. Allows taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements; extends the time frame for taxpayers to file certain statements with the Hawai'i State Energy Office; and is effective 4/19/2042.

This measure clarifies that the Renewable Fuels Production Tax Credit may only be claimed by taxpayers for which qualified renewable fuels production costs are incurred within the State of Hawai'i and whose renewable fuels are sold for distribution within the State. This ensures that the tax credit directly supports in-state production and advances Hawai'i's energy independence and sustainability goals, rather than subsidizing out-of-state activities.

This measure also allows taxpayers to qualify for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements. This provision appropriately recognizes that renewable fuel projects are often developed in phases or as distinct facilities, and it provides certainty for long-term investment while maintaining clear eligibility standards.

However, this measure does not explicitly provide that an existing entity may qualify for an additional ten-year credit period, as included in other versions of the Production Tax Credit. This omission is significant because, without that provision, some local companies would not qualify for the credit. Other iterations of the Production Tax Credit expressly allow for an additional ten-year claim period, and we believe similar language should be included here to ensure consistency and eligibility.

In addition, the bill extends the timeframe for taxpayers to file certain required statements with the Hawai'i State Energy Office. This added flexibility improves compliance and administrative efficiency, particularly for smaller producers that may have limited staffing and resources.

Of particular importance, this measure helps ensure that smaller, local renewable fuel producers are able to access and benefit from this tax credit. By tying eligibility to in-state production and distribution, and by allowing credits for independently qualifying projects, the bill promotes a more equitable and inclusive renewable fuels market. This supports local businesses, encourages innovation, and strengthens Hawai'i's clean energy economy.

Mahalo for this opportunity to testify.



**Testimony to The Committee on Ways and Means
Wednesday, February 25, 2026, 10:55 AM
Conference Room 211 & VIA videoconference**

SB 2376

Chair Dela Cruz, Vice Chair Moriwaki and members of the committee,
Hawaii Gas respectfully submits this testimony in **support of SB 2376**.

Hawaii Gas is the state's only regulated gas utility, providing essential energy services to homes, businesses, and critical facilities across all islands. The company is committed to Hawaii's transition to a cleaner, more sustainable energy system by advancing renewable fuels such as renewable natural gas and hydrogen while maintaining the reliable infrastructure needed to keep energy affordable and resilient for Hawaii's communities.

Hawaii Gas strongly supports SB 2376, which clarifies and strengthens the Renewable Fuels Production Tax Credit to allow eligible entities, regardless of location, to access the credit, while recognizing the nexus of in-state activities that generate benefits for Hawaii's economy and workforce. Additionally, the bill reinforces the State's renewable energy goals while encouraging private investment in diverse types of renewable fuels that can lower the state's carbon emissions. Renewable fuel production investments in Hawaii are in the early and growth stage, especially in energy sectors such as firm, dispatchable generation and direct use energy services. Maintaining this tax credit will help to bolster investments by a variety of participants.

For Hawaii Gas, SB 2376 directly supports ongoing efforts to decarbonize our fuel mix. We are actively expanding renewable natural gas and hydrogen initiatives that can displace imported fossil fuels and lower emissions. This bill removes major disincentives to expansion and reinvestment in new technologies and ventures by clarifying that the credits are project based, while preserving, not increasing the state's economic impacts.

Investments in renewable fuels takes years of planning and commitment and this bill now strengthens the predictability and financing of these projects by reducing the risk of not receiving the tax credit because credits are prorated if the Cap is reached and projects applied for in the later part of the year can carry forward to the following year.

Administratively, extending the reporting requirements from 30 to 90 days recognizes the market realities of engaging a third party to verify data. Infrastructure security protections helps to align with Federal disclosure of critical infrastructure while preserving data transparency.

Hawaii Gas respectfully urges the Committee to pass SB 2376.

Thank you for your consideration.



2050 Main Street, Suite 3B
Wailuku, Hawai'i 96793
(808) 877-3144
www.biodiesel.com

February 24, 2026

TESTIMONY ON SB2376 SD1, RELATING TO THE RENEWABLE FUELS PRODUCTION TAX CREDIT

SUPPORT

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Decision Making: Feb. 25, 2026, 10:55am, Conf Room 211

Aloha Chair, Vice Chair and Members of the Committee,

Pacific Biodiesel **supports SB2376 SD1**, which updates the Renewable Fuel Production Tax Credit previously established by the State Legislature and supports a very real, sustainable ongoing solution.

This production tax credit will support continued expansion of biodiesel production for our state – more urgent now than ever. It enables the continued expansion of our local biodiesel crop production which addresses both fuel and food security for Hawai'i.

Pacific Biodiesel is acutely aware of the important role our biodiesel production plays in supporting military readiness and energy resilience in our state. Given our state's strategic location, locally produced biodiesel ensures a reliable, readily available local supply of biofuel at key locations in Hawai'i to help protect United States national security and further reduce reliance on imported crude oil, especially from sources like Russia-backed Libya.

State support has helped Pacific Biodiesel, now in our 30th year, exceed our original 2012 nameplate capacity of 5.5 mgy. Current biodiesel production capacity in Hawai'i is 6 million gallons annually. Biodiesel produced from Hawai'i-sourced feedstock can feasibly scale to 16 million gallons annually by 2040 – *this total vertical integration to locally grow and produce biodiesel epitomizes energy security!*

As Hawai'i embraces electric vehicles, it is important to recognize that a large portion of our transportation infrastructure must be given the choice to go renewable by using locally produced biofuel in order not to burden local businesses as well as citizens with the unjust added cost of buying new vehicles. Biodiesel can bring immediate greenhouse gas reductions for the hard-to-electrify sectors such as large trucks, buses, and boats where new electric vehicle technology is extremely expensive, not widely available and lacks the same payload as diesel engines.

Biodiesel is an energy-dense domestically manufactured renewable fuel source that provides local family-wage earning jobs, promotes energy security in Hawai'i, supports USA national security and benefits the local circular economy. Biodiesel has one of lowest carbon footprints of any fuel, reducing GHG emissions by 86% compared to fossil diesel.

A recent USC study on the Lifecycle Assessment of an electric bus compared with a biodiesel bus in Hawai`i showed a substantial reduction in environmental impact. Biodiesel demonstrated:

48% less energy used

89% less water consumed

41% fewer GHG emissions

7% lower total cost of ownership

<https://incose.onlinelibrary.wiley.com/doi/10.1002/iis2.70102>

For power generation, biodiesel is a critical component of our State’s renewable energy portfolio.

Biodiesel is a 100% renewable fuel that provides a firm renewable source for power generation that is a reliable backup to intermittent renewables like solar and wind that fluctuate in availability. In our electric utilities, fast-start diesel engines — increasingly fueled with clean biodiesel — are enabling higher penetration of intermittent PV and wind assets while maintaining grid stability.

Pacific Biodiesel produces our biodegradable, non-toxic fuel with used cooking oil recycled from Hawai`i’s restaurants, keeping that potentially hazardous waste out of local landfills. In addition, our carbon negative regenerative farming operation can also locally produce biodiesel from virgin oils, like sunflower and canola oils. Our model also contributes culinary oils and high-protein meal for livestock feed to the local food system. Pacific Biodiesel’s “ag and energy” model today is demonstrating a “net carbon negative” renewable fuel system that’s a beneficial circular economy model for Hawaii.

There is no silver bullet for a 100% zero emission future. The further we move towards our goal of 100% renewable, the more critical liquid biofuel sources will become in our State renewable energy portfolio of sustainable solutions. We must continue to support the expansion of local production now to meet our needs later.

Mahalo,



Bob King
Founder and President
Pacific Biodiesel

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2376, S.D.1, Relating to the Renewable Fuels Production Tax Credit

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 25, 2026

TIME: 10:55 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2376, S.D.1, for your consideration.

S.B. 2376, S.D.1, makes several amendments to section 235-110.32, Hawaii Revised Statutes (HRS), regarding the Renewable Fuels Production Tax Credit (RFPTC).

Subsection (a) is amended to require that the credit be based on qualified renewable fuel production costs incurred within Hawai'i, and that no other tax credit may be claimed for the costs used to claim a credit under section 235-110.32, HRS, for the taxable year. This subsection is also amended to clarify that each taxpayer, together with all related entities, who currently are not eligible for more than a "single" ten-year credit period, would be eligible for a "separate" ten-year credit period "for each separate qualified renewable fuels production located at a separate physical site that meets the eligibility requirements of this section."

Subsection (f), regarding the \$20,000,000 aggregate yearly cap, is amended to provide that if the total amount of credits applied for each year exceed the aggregate amount of credit allowed for that year, a taxpayer's excess credit shall be treated as

having been applied for, and shall be claimed, in the following year.

Subsection (c) changes the reporting requirements for a taxpayer to the Hawai'i State Energy Office (HSEO) from 30 days to 90 days following the close of the calendar year, and subsection (g) is amended so the public inspection and dissemination posting requirements for the HSEO exempts releasing certain information if it would jeopardize security, safety, or operations of critical energy infrastructure as determined under the Federal Power Act.

The measure has a defective effective date of April 19, 2042, and is applicable to taxable years beginning after December 31, 2026.

First, DOTAX appreciates the Committees on Energy and Intergovernmental Affairs, and Agriculture and Environment, amending the bill to include a definition of "qualified renewable fuel production costs," and clarifying that "separate renewable fuels production" means production that is "located at [a] separate physical site."

Second, DOTAX defers to the HSEO regarding its ability to incorporate these changes and its ability to continue to administer the aggregate credit cap and the new excess credit tracking. However, DOTAX reiterates its recommendation that the bill be amended to clarify that if the total amount of credits applied in a taxable year exceeds the aggregate amount, a certificate must be issued by HSEO to the taxpayer stating the amount eligible to be claimed in the subsequent taxable year.

Lastly, DOTAX can administer these changes for taxable years beginning after December 31, 2026.

DOTAX estimates no material revenue impact for this bill.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Restricts Renewable Fuels Production Tax Credit to Renewable Fuels Produced In State

BILL NUMBER: SB 2376 SD1

INTRODUCED BY: EIG/AEN

EXECUTIVE SUMMARY: For taxable years beginning 1/1/2026, 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. Allows taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements. Extends the time frame for taxpayers to file certain statements with the Hawai‘i State Energy Office.

SYNOPSIS: Amends section 235-110.32, HRS, to require qualified renewable fuel production costs to be incurred within the State.

Allows a separate ten-year credit eligibility period for each separate qualified renewable fuels production located at a separate physical site.

Specifies that no other tax credit may be claimed for costs incurred to produce renewable fuels that are used to claim a credit under sec 235-110.32, HRS.

Allows information identifying the specific location of a renewable fuel production facility, or information that is determined to constitute critical energy infrastructure information pursuant to section 215A(d) of the Federal Power Act (16 U.S.C. 824o-1), the disclosure of which could reasonably be expected to jeopardize the security, safety, or operational resilience of critical energy infrastructure, to be treated as confidential and exempt from public disclosure.

Defines “qualified renewable fuel production costs” as costs incurred by a qualified production within the State that are subject to the general excise tax under chapter 237 at the highest rate of tax or income tax under chapter 235 if the costs are not subject to the general excise tax. Makes technical and conforming amendments.

EFFECTIVE DATE: April 19, 2022 for taxable years beginning after December 31, 2026.

STAFF COMMENTS: Act 202, SLH 2016, enacted a renewable energy production credit with a five-year life. The credit sunset on December 31, 2021. The credit was revived by Act 16, SLH 2022 with an aggregate cap of \$20 million.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few years is that unbridled tax incentives, where there is no accountability

or limits on how much in credits can be claimed, are irresponsible as the cost of these credits goes far beyond what was ever intended. Instead, lawmakers should encourage alternative energy production through the appropriation of a specific number of taxpayer dollars. The State could directly purchase energy, or it could give a subsidy to developers. Then, lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

Digested: 2/24/2026

SENATE
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

HEARING

DATE: February 25, 2026
TIME: 10:55 AM
PLACE: VIA VIDEOCONFERENCE
Conference Room 221

Public commentor: Ted Metrose (independent) Position: **In Support**

SB2376 – Amend the Renewable Fuel Production Tax Credits (RFPTC) for renewable fuels including sustainable aviation fuel which are sold in the State.

Referred from: AEN and EIG

Companion House Bill: None

Competing House Bill: HB1695 which also amends the RFPTC

Synopsis

For taxable years beginning 1/1/2026, 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. Allows taxpayers to be eligible for a separate ten-year credit period for each separate qualified renewable fuels production that independently meets eligibility requirements. Extends the time frame for taxpayers to file certain statements with the Hawai'i State Energy Office.

Commentary and Proposed Amendments

I am in support of the amendment to the renewable fuel production tax credit (RFPTC) proposed by SB2376. The proposed changes are reasonable and superior to other bills which have been introduced to provide tax credits for renewable fuels (HB1694, HB1695, SB2403, SB2375 and SB 2027, the last two of which are identical).

Provided below are some additional comments and suggestions for additional amendments that would further enhance SB2376 or any final version of the RFPTC.

- Serious consideration should be given to limiting the availability of the RFPTC to just transportations fuels, much like the federal tax program. There is little merit in shifting the cost of renewable fuels from utilities who are already mandated to transition to renewables to the taxpayers. The State’s renewable portfolio standards already obligate utilities to embrace renewable fuels and most are already planning to convert from fossil fuel to biodiesel because it the easiest conversion to make without walking away from existing generator and the surrounding infrastructure. The allocation of costs to utility customers is already wide and reasonably equitable, when considering that there are a number of programs for lower income people with utility bills. Subsidizing the renewable fuels for power supply, although widely embraced, serves as a disincentive for carbon free alternatives, which is the alternative preferred by most the HSEO and most environmental groups and arguably by the Navahine settlement. As depicted below there is so much fossil fuel to be replaced with renewable sources Hawaii could not possibly afford to provide tax credit for all of it.

Fossil Fuels (taxed)	DOTAX's 3 Yr Ave (2022-2024)	
Replaceable by Biofuels	BBS	MM Gals
ERT - Petroleum Products	24,689,150	1,037
Aviation Fuel (taxed)	6,761,233	284
Pet Products plus Aviation	31,450,382	1,321

Originally the tax credit in 235-110.32 was intended to spur production of ethanol in Hawaii and that is just a small segment of the transportation sector. Even the modest tax credit currently embraced by the RFPTC \$0.76/ MMBTU which equates to about \$0.34 cent per gallon could not possibly be granted to shift all fossil fuels to biofuels because it would be prohibitive at roughly \$450 million dollars per year. Moreover, the industry has repeatedly stated that such a small tax credit will not induce investment or imports of renewable transportation fuels.

- Consequently, the RFPTC should be narrowed and target to just transportation fuels, and kept small until other mechanisms of providing incentives such as the clean fuel standard can be put in place.
-
- HSEO’s Alternative Fuels Study stated: “Prioritizing biofuels for the most challenging sectors to decarbonize—such as aviation and maritime transport, where electrification is less practical and gains in combustion efficiency provide limited emissions reductions—is essential for achieving economy-wide decarbonization. Given the current costs of different fuels, competition for biofuel production may favor the aviation sector, which has a higher willingness to pay. Furthermore, directing biofuels to these sectors ensures cost-effective use of resources, helping to optimize their allocation and maximize overall emissions reductions.”
- Further evidence that the tax credit should not be directed to utilities fuels is provided by DBEDT. Over a 3- year period from CY 2022 to 2024 utility companies paid:

Utility Cost of Diesel CY22-34		
Biodiesel	4.48	\$/gal
Diesel	3.46	\$/gal
Delta	1.02	\$/gal
Premium	29%	%

The tax credits under RFTPC had relatively little impact and the extra costs for biodiesel must be considered reasonable without them, because Pacific Diesel is a fully integrated supply. As anticipated cost may be reduced in the future as more supplies come online, but in any case the utilities are in a far better position to control those costs through competitive bid processes. A tax credit for biofuels used in the utility sector will only serve to ensure the price biofuel remains elevated.

- Consistent with the objectives of SB 2376, the city, state, territory and country of origin of feedstocks used for each fuel category or fuel types should be submitted as part of the claim on credits. Both Par Hawaii and Pacific Biodiesel made grand claims about using local supply of renewable feedstocks, but (almost unbelievably) that is not part of the reporting or prequalification criteria. Likewise, the State report to the legislature should also include a summary of the source of supply (in-State or out-of-State) and the nature of source - from which crops/trees or waste stream. While the State may be hard pressed to mandate that feedstock be sourced exclusively from Hawaii, it has every right to know exactly how much is coming from outside the State, particularly as additional expansion of the tax credits are requested with hope and promise of using local supply.

- Over a 4-year period Pacific Biodiesel imported 68% of their feedstocks from the West Coast. The legislature did not hear one word from Pacific Biodiesel about out-of-state sourcing in their reoccurring appeals for more tax credits from the State. Instead, the legislature is just lucky to learn about the source of supply through reports prepared by HECO who are required to disclose that information for the PUC. The source of feedstock was also not covered/reported by HSEO in the required report because that "little detail" is not currently specified by HRS 235-110.32. Similarly, and as reflected in the joint press release, both of Par's partners (Mitsubishi and ENEOS) are anxious to provide feedstocks and optimize the sourcing of feedstocks and yet the only testimony provided by Par Hawaii is on developing a local supply of feedstocks with affiliate Pono Pacific. The State should know all about sourcing, particularly, before endorsing any further expansion of the RFPTC which has been conveyed (sold) by its advocates as means of sparking agriculture interests throughout the State. See prior testimony from advocates for tax credits for renewable fuels. [EET-GVO DEFER, EET, EET Public Hearings 2-06-2024](#)
- Even though sustainable aviation fuel is not specifically listed, it qualifies as renewable fuel under HRS 235-110.32. Tax credits for SAF should only be approved and issued when SAF is used on interstate flights. Adding this constraint will help ensure that more of Hawaii's tax dollars stay in Hawaii and they are utilized to advance the State priorities for transportation fuels as set forth in HRS 225P-8. The airlines, Par Hawaii Refining and its partners want the State to pay for SAF, but the State legislative and executive branch is quite reasonably trying to shift some of the burden of the energy transition to tourists, and visitors. While taxpayers will still pay to subsidize the production of SAF, at least the cost of using renewable fuels on interstate travel will be somewhat (slightly) less than it would be otherwise. In prior hearings Senator Waikai has made this point, and it is a good one. Building on that point on February 6, 2024, Senator Felleve, also suggested that adding an in-State use prerequisite to tax credits for SAF tax credits would help the State return some tax revenues through the collection of excise taxes on its sale. Senator Felleve expressed frustration that previously authorized tax credits for genetically modified crops more specifically their seeds, did not benefit the State, as they were sold out outside the State. (I believe the program was suspended.)
- Particularly since claims for tax credits for renewable fuels is nearly certain to be oversubscribed in 2026 and beyond and assuming that HDOT continues to assert that the Navahine settlement extends the scope of the State's responsibilities well beyond its boundaries and beyond those specified in HRS 225P-8, once emissions from interisland travel have been addressed to the fullest extent possible, tax credits for SAF could be extended to interstate travel. However, that consideration should be reserved for a future legislative session. The heavy reliance on SAF as part of HDOT's GHG reduction plan for transportation, should not undermine the legislature's authority to specify how public funds should be prioritized. It would seem a rather quick consensus

could be reached on directing public funds to transportation fuels which are used within the State over those which are used in transpacific transit.

- The current RFPTC states: *“No other tax credit may be claimed under this chapter for the costs incurred to produce the renewable fuels that are used to properly claim a tax credit under this section for the taxable year.”* Particularly because there has been interest in creating a separate or more robust tax credit for SAF, serious consideration should be given to explicitly stating a taxpayer can only claim a tax credit for the same product SAF under one section of this chapter. As evidenced by HB1694, SB2027 and SB2375 because it advocates for SAF keep pressing for a higher per gallon credit and aggregate values for SAF than other renewable fuels, I suggest that SAF be explicitly and intentionally excluded from the RFPTC section 235-110.32. As mentioned previously, even if the RFPTC is left unaltered SAF would qualify for the RFPTC. That creates all sorts of confusion if a tax credit exclusive for SAF is established by the legislation. Given the seeming strong interest in having a dedicated tax credit for just SAF, the RFPTC should be revised to reflect that SAF and alternative jet fuel do not qualify as renewable fuel under the provisions of the RFPTC. If segregations of the tax credit for SAF cannot be segregated from other renewable fuels, then certainly the credit value for SAF should be the same wherever it is provided in HRS 235. There is no good rationale for different credit levels, qualifying criteria or attributes for the same material and yet a dichotomy has already been proposed.
- If the entire tax credit program for just SAF could be more effectively managed and assured if the tax credit for SAF was given to airlines who uplift SAF in Hawaii. That would help eliminate Par's Hawaii Refining on-going threat of shipping SAF and other renewable fuels to the west coast, the value of the tax credits or the aggregate amount of credits is considered insufficient. Allowing the airline to claim tax credits, use Hawaii's remote location to its advantage and provides a greater assurance that any credits claimed will be used within the State and ideally on interisland travel as a first priority.
- As recommended by the HSEO the current base tax for the "renewable fuels production tax credit during the ten-year credit period shall be equal to [20] cents per seventy-six thousand British thermal units of renewable fuels" should be updated or deleted because ethanol production is no longer a relevant goal or Standard. The proposed credit should be listed in terms of \$/gal and based on equivalence with traditional diesel based on lower heating value LHV of 129,000 BTU/gal because that is the fuel that will be most widely replaced by renewable fuels.
- As explicitly recommended by DOTAX, to limit abuse the tax credits should be made non-refundable. Last year on February 12, 2025 for HB976 which also proposed amendments to the RFPTC, DOTAX recommended *“making the sustainable aviation fuel import tax credit nonrefundable, as refundable credits are more susceptible to fraud and abuse.”* Even though DOTAX may have neglected to reiterate that recommendation, this safeguard is merited and should be taken up this year. Carry over provisions for the tax credits sound reasonable, but additional consideration should be given to what happens when the credit period is up. Does the legislature have to fund (extend) tax credits that have been carried over beyond the planned end date. If tax

credits are allowed to be carried-over they should not be allowed beyond the date of the authorized credit period.

- The State tax credits should be contingent upon having a satisfactory tax history, just as the IRS established as a procedural prerequisite for the 45Z clean fuel tax credits. [N-2025-10](#) DOTAX should have more explicit authority to reject claims for renewable fuel tax credits. Before endorsing and issuing tax credits to Par Hawaii Refining and its partners DOTAX should have the authority to review Par Hawaii Refining tax history particularly in light of the of the quit tam case 1CCV-21-0000632 that State has intervened as previously reported by Civil Beat. Unlike the federal tax credit to produce clean transportation fuels, the current RFPTC does not give explicit authority to DOTAX or it direct to deny the tax credit based on an unsatisfactory tax history. It should be revised accordingly.