

ACT 253

H.B. NO. 1003

A Bill for an Act Relating to Energy.

Be It Enacted by the Legislature of the State of Hawaii:

PART I

SECTION 1. The legislature finds and declares that Hawaii has struggled for thirty years to develop renewable energy resources to reduce its dependence on

imported sources of energy, such as fossil fuels. In 1974, the legislature passed a series of Acts that recognized the vulnerability of Hawaii's residents to the petroleum industry as a result of its reliance on imported oil for transportation fuels and power generation. Over the thirty years that followed, the legislature has enacted laws and appropriated funds to further develop alternative sources of energy.

In 2006, the legislature passed groundbreaking legislation, found in Act 240, Session Laws of Hawaii 2006, to promote energy self-sufficiency for the State. Act 240 promoted further development of renewable energy, including increased financial incentives, mechanisms for dedicated sources of funding, and the development of hydrogen as a renewable energy source. While progress has been made, there is still much to be done.

In 2006, the legislature also adopted House Concurrent Resolution No. 195, calling for a study of the feasibility of developing biofuels as a renewable energy primarily for electricity generation. The legislature recognized that the land-based development of crops for use in biofuels production for Hawaii would achieve the objective of energy self-sufficiency. The legislature also recognized that complex issues relating to land acquisition, water supply, and investment risk would need to be addressed before a viable and cost-effective biofuels program could be developed. The legislature finds that an integrated approach must be undertaken to coordinate the various industries and federal and state agencies to ensure the success of any substantial investment in biofuels development.

The legislature also finds that Hawaii should diversify its energy system and reduce its dependence on imported petroleum by introducing bioenergy resources into the overall energy system.

In response to the desire to diversify Hawaii's energy system, a biofuels summit and bioenergy workshop was held in 2006 to explore the potential for a domestic bioenergy and biofuels future. Both meetings resulted in the acknowledgement that the initiation of a bioenergy industry in Hawaii must first address a diverse and very complex set of issues that involves many public and private stakeholders.

The summit and workshop demonstrated the effectiveness of facilitated collaboration and pointed to the value of a mechanism to coordinate the development of supply, production capability, and infrastructure, each with long, independent lead times, that is understood and supported by both public and private stakeholders. Therefore, the legislature finds that the preparation of a bioenergy master plan is necessary to establish an effective strategy for the development of a bioenergy industry in Hawaii.

The purpose of this Act is two-fold:

- (1) Part II statutorily establishes the Hawaii natural energy institute of the University of Hawaii at Manoa, defines its mission, and creates the energy systems development special fund for the development of renewable energy and end-use energy-efficient technologies, including those that ameliorate peak demand problems. The roles of the institute will include:
 - (A) Managing the portfolio of renewable energy and energy efficiency technology programs to ensure an integrated approach;
 - (B) Using its technical expertise to advise state and federal agencies on the maximization of funding sources and encouragement of private industry investments; and
 - (C) Evaluating Hawaii's efforts toward energy self-sufficiency; and
- (2) Part III tasks the department of business, economic development, and tourism with the development and preparation of a bioenergy master plan that will set the course for the coordination and implementation of policies and procedures to develop a bioenergy industry in Hawaii.

PART II

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding a new subpart to part IV to be appropriately designated and to read as follows:

“ . Hawaii Natural Energy Institute

§304A-A Hawaii natural energy institute; structure; function. (a) There is established the Hawaii natural energy institute at the University of Hawaii. The institute shall be administered by a director to be appointed by the board of regents upon recommendation by the president. The director of the institute shall appoint the professional members of the staff and other employees. The president and board of regents shall have the same powers over the institute and its staff as over the university and its facilities.

(b) The director of the institute shall coordinate the institute's work with the energy resources coordinator in carrying out duties pursuant to section 196-4 in the area of research and development of renewable energy sources.

(c) The institute shall:

- (1) Develop renewable sources of energy for power generation and transportation fuels by working in coordination with state agencies, federal agencies, and private entities;
- (2) Conduct research and development of renewable sources of energy;
- (3) Demonstrate and deploy efficient energy end-use technologies, including those that address peak electric demand issues;
- (4) Aggressively seek matching funding from federal agencies and private entities for its research and development and demonstration activities; and
- (5) Report annually to the legislature, no later than twenty days prior to the convening of each regular session, on its activities, expenditures, contracts developed, advances in technology, its work in coordination with state agencies and programs, and recommendations for proposed legislation.

§304A-B Advisory council to Hawaii natural energy institute. (a) The institute shall establish an advisory council of seven members, appointed by the president from a list of nominees submitted by the director of the institute and the energy resources coordinator of the department of business, economic development, and tourism. The members of the advisory council shall be from the general public, the energy industry, technology providers, state agencies whose primary functions relate to energy planning and policy analyses, and environmental groups, or other relevant stakeholder representatives as recommended by the director of the institute and the energy resources coordinator. Members shall be selected on the basis of their proven expertise and interest in the field of renewable energy. The director of the institute and the energy resources coordinator shall serve as ex officio nonvoting members of the advisory council.

(b) The primary role of the advisory council shall be to make recommendations to the director on the award of contracts and grants funded through the institute.

(c) The advisory council may advise the director on matters of strategic planning, goals and objectives, significant initiatives of the institute, and other matters as determined by the director.

§304A-C Energy systems development special fund. (a) There is established the energy systems development special fund for the purpose of developing an integrated approach and portfolio management of renewable energy and energy

efficiency technology projects that will reduce Hawaii's dependence on fossil fuel and imported oil and other imported energy resources and move Hawaii toward energy self-sufficiency.

(b) The special fund shall be funded by:

- (1) Appropriations from the legislature; and
- (2) Investment earnings, gifts, donations, or other income received by the institute.

(c) The Hawaii natural energy institute shall administer the special fund and may expend revenues from the special fund for the following activities:

- (1) Obtaining matching funds from federal and private sources for research, development, and demonstration of renewable energy sources;
- (2) Awarding contracts or grants to develop and deploy technologies that will reduce Hawaii's dependence on imported energy resources and imported oil. Projects may be commissioned that:
 - (A) Balance the risk, benefits, and time horizons of the investment to ensure tangible benefits to the Hawaii consumer, with priority given to short-term technology development;
 - (B) Emphasize innovative and renewable energy supply and energy efficient end use technologies focusing on environmental attributes, reliability, and affordability;
 - (C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;
 - (D) Enhance reliability and storage capabilities of renewable energy for electricity;
 - (E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;
 - (F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;
 - (G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
 - (H) Give priority to resources that are indigenous and unique to Hawaii; and
- (3) Managing the portfolio of projects commissioned under this subsection.

§304A-D Periodic evaluation. (a) Evaluations shall be conducted of the projects and activities funded by the energy systems development special fund. The evaluation shall assess, using objective criteria, the degree to which the projects and activities comport with and achieve stated objectives of the energy systems development special fund pursuant to section 304A-C.

(b) The initial evaluation shall be conducted at the end of the third year after the effective date of this Act, and every three years thereafter by a two-person panel of independent energy and environmental technical experts who shall be appointed by the director of business, economic development, and tourism and who are not affiliated with the Hawaii natural energy institute. The panel shall submit a report of the results of each evaluation to the legislature no later than twenty days prior to the convening of the following regular session. The institute shall cooperate and provide support to the evaluation panel.

§304A-E Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-C, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the

intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs.''

SECTION 3. Act 235, Session Laws of Hawaii 1974, is repealed.

PART III

SECTION 4. (a) The department of business, economic development, and tourism shall develop and prepare a bioenergy master plan in consultation with representatives of the relevant stakeholders. The primary objective of the bioenergy master plan shall develop a Hawaii renewable biofuels program to manage the State's transition to energy self-sufficiency based in part on biofuels for power generation and transportation. The bioenergy master plan shall address the following outcomes:

- (1) Strategic partnerships for the research, development, testing, and deployment of renewable biofuels technologies and production of bio-mass crops;
- (2) Evaluation of Hawaii's potential to rely on biofuels as a significant renewable energy resource;
- (3) Biofuels demonstration projects, including infrastructure for production, storage, and transportation of biofuels;
- (4) Promotion of Hawaii's renewable biofuels resources to potential partners and investors for development in Hawaii as well as for export purposes; and
- (5) A plan or roadmap to implement commercially viable biofuels development.
- (b) The bioenergy master plan shall address the following issues:
 - (1) Specific objectives and timelines;
 - (2) Water resources;
 - (3) Land resources;
 - (4) Distribution infrastructure for both marine and land;
 - (5) Labor resources and issues;
 - (6) Technology to develop bioenergy feedstock and biofuels;
 - (7) Permitting;
 - (8) Financial incentives and barriers and other funding;
 - (9) Business partnering;
 - (10) Policy requirements necessary for implementation of the master plan; and
 - (11) Identification and analysis of the impacts of transitioning to a bioenergy economy while considering applicable environmental concerns.

(c) The department of business, economic development, and tourism shall submit an interim report of its progress, including any proposed legislation to facilitate the finalization of a master plan or support preliminary findings to accelerate the implementation of a bioenergy future for Hawaii, to the legislature no later than twenty days prior to the convening of the regular session of 2008. The department shall submit a final report, including the bioenergy master plan, as well as any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2009.

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$300,000 or so much thereof as may be necessary for fiscal year 2007-2008 for the development and preparation of a bioenergy master plan that will set the course for the coordination and implementation of policies and procedures to develop a bioenergy industry in the State.

The sums appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this part.

PART IV

SECTION 6. In codifying the new sections added by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 7. New statutory material is underscored.¹

SECTION 8. This Act shall take effect on July 1, 2007; provided that sections 304A-C, 304A-D, and 304A-E, Hawaii Revised Statutes, shall be repealed on June 30, 2012.

(Approved July 5, 2007.)

Note

1. No underscored material.