

A Bill for an Act Relating to the Issuance of Special Purpose Revenue Bonds.

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

SECTION 1. The legislature finds that Hawaii's dependence on petroleum for approximately ninety per cent of its energy needs is more than any other state in the nation. This dependence makes the state extremely vulnerable to oil embargos, supply disruptions, international market dysfunctions, and many other factors beyond the control of the State. Furthermore, the continued consumption of conventional petroleum fuel adversely affects the environment.

The legislature also finds that increased energy efficiency and use of renewable energy resources would increase Hawaii's energy self-sufficiency. Energy self-sufficiency would have broad societal benefits, including increased energy security, resistance to increases in oil prices, environmental sustainability, economic development, and job creation.

The legislature has worked steadily to encourage the deployment of renewable energy resources and energy-efficiency initiatives. Initiatives have included:

- (1) Establishing a net energy metering program, interconnection standards, and renewable energy tax credits;
- (2) Establishing greenhouse gas and energy consumption reduction goals for state facilities and requiring the use of energy-efficient products in state facilities; and
- (3) Providing incentives for the deployment of solar energy devices.

The legislature has also established a renewable energy portfolio standard under which twenty per cent of Hawaii's electricity is to be generated from renewable resources by the end of 2020.

Hydrogen technology development is currently attracting billions of dollars in investment capital, not only in the United States but also in European countries and Japan. Federal initiatives are resulting in the development of hydrogen and fuel cell technologies in partnership with automakers and major energy companies. Analysts predict that these initiatives, along with efforts in other countries, will lead to the development of markets for hydrogen and supportive hydrogen fuel cell technologies and infrastructure.

Hawaii has among the most abundant renewable energy resources in the world, in the form of solar, geothermal, wind, biomass, and ocean energy assets. Consequently, the island of Hawaii produces more electricity from renewable resources than can currently be used. Several wind projects are expected to be completed in the near term, exacerbating this problem. Furthermore, the Puna geothermal project is planning to increase its energy contribution if the electric utility can take and use the energy.

The excess of geothermal and other renewable energy resources creates an unprecedented, historic opportunity for Hawaii to emerge as a leader in the use of hydrogen fuel by producing hydrogen using water electrolysis. This clean, renewable hydrogen would then be used as an energy carrier for stationary power and transportation fuels, making the island self-sufficient. Hydrogen could also be exported to Oahu and the other islands as the clean fuel of choice for power generation and transportation fuels, achieving greater self-sufficiency for the State of Hawaii.

The historic confluence of the State's desire for energy self-sufficiency through development of renewable energy with the global opportunity of the emerging hydrogen economy calls for a major, far-sighted initiative to develop Hawaii's renewable energy resources.

The legislature further finds that H2 Technologies Incorporated proposes to build a facility and laboratory to develop, manufacture, and license hydrogen generator appliances on the island of Hawaii at the natural energy laboratory of Hawaii. H2 Technologies Incorporated is engaged in the planning, design, and construction of a hydrogen generator production facility on the island of Hawaii to supply a clean source of electricity and transportation fuel replacing a portion of the unsustainable and expensive petroleum-based gasoline or diesel fuel. H2 Technologies Incorporated will also construct a gasoline- or diesel-to-hydrogen automobile conversion garage to help facilitate the use of hydrogen by automobile owners, thus, moving Hawaii into a sustainable hydrogen economy.

SECTION 2. (a) The legislature finds that the issuance of special purpose revenue bonds and refunding of special purpose revenue bonds under this Act to assist H2 Technologies Incorporated in the planning, design, and construction of a hydrogen generator production facility on the island of Hawaii will supply a clean source of electricity and transportation fuel, reduce the use of unsustainable and expensive petroleum-based gasoline and diesel fuel, and provide numerous other benefits. Use of hydrogen as a transportation fuel and for use with fuel cell technology for electrical generation will:

- (1) Reduce Hawaii's dependence on imported fossil fuels, including gasoline and diesel, for electrical generation and transportation, thereby increasing Hawaii's energy security;
  - (2) Help to meet Hawaii's renewable energy goals by encouraging home or office energy production with on-island-produced renewable hydrogen;
  - (3) Reduce greenhouse gas emissions via a renewable closed-loop carbon system; and
  - (4) Provide significant reductions of hydrocarbon, sulfur, toxic compounds, and particulate matter emissions as compared to burning petroleum-based fossil fuels.
- (b) Benefits from the H2 Technologies Incorporated project will include:
- (1) Encouraging local high-technology clean hydrogen energy research, development, and manufacturing to help move Hawaii's economy toward energy self-sufficiency;
  - (2) Providing transportation and generation fuel at competitive prices as compared to importation alternatives;
  - (3) Reducing the cost of doing business in Hawaii by lowering the cost of energy and transportation;
  - (4) Speeding up the goal of creating a "hydrogen highway" on the island of Hawaii and making full use of the appropriated hydrogen fund passed by the legislature during the regular session of 2006; and
  - (5) Assisting the State, county of Hawaii, and the federal government to meet their goals and mandates for energy efficiency and renewable energy use.

SECTION 3. The legislature finds and declares that the issuance of special purpose revenue bonds under this Act is in the public interest and for the public health, safety, and general welfare.

SECTION 4. Pursuant to part V, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in a total amount not to exceed \$50,000,000, in one or more series, for the purpose of assisting H2 Technologies Incorporated or a partnership in which H2 Technologies Incorporated is a general partner, or a

newly-formed LLC in which H2 Technologies Incorporated is a managing member or the successor in interest or an assignee of H2 Technologies Incorporated for the construction of a hydrogen generation appliance research, development, and manufacturing facility and laboratory and a gasoline- or diesel-to-hydrogen automobile conversion garage on the island of Hawaii.

The legislature hereby finds and determines that hydrogen generation appliance research, development, and manufacturing and gasoline- or diesel-to-hydrogen automobile conversion constitute a project as defined in part V, chapter 39A, Hawaii Revised Statutes, and the financing thereof is assistance to an industrial enterprise.

SECTION 5. The special purpose revenue bonds and the refunding special purpose revenue bonds issued under this Act shall be issued pursuant to part V, chapter 39A, Hawaii Revised Statutes, relating to the power to issue special purpose revenue bonds to assist industrial enterprises.

SECTION 6. The department of budget and finance is authorized, from time to time, including times subsequent to June 30, 2013, to issue special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 4 and to refund special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption or whether the refunding special purpose revenue bonds shall be bonds for the multi-project programs described in section 4. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section.

SECTION 7. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 2013.

SECTION 8. This Act shall take effect on July 1, 2008.

(Approved May 27, 2008.)