

JAN 24 2007

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# A BILL FOR AN ACT

RELATING TO ENERGY.

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

1           SECTION 1. The legislature finds and declares that Hawaii  
2 has struggled for thirty years to develop renewable sources of  
3 energy in order to reduce its dependence on imported fossil  
4 fuels and imported sources of energy. In 1974, the legislature  
5 passed a series of Acts that recognized the vulnerability of  
6 Hawaii's residents to the petroleum industry as a result of its  
7 reliance on imported oil for transportation fuels and power  
8 generation. Over the thirty years that followed, the  
9 legislature has continued to enact laws and appropriate funds to  
10 further develop alternative sources of energy.

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



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

14           The purpose of this Act is twofold. Part I statutorily  
15 establishes the Hawaii natural energy institute of the  
16 University of Hawaii at Manoa, defines its mission, and creates  
17 the energy development special fund for the development of  
18 renewable energy. One of the roles of this institute will be to  
19 manage the portfolio of renewable energy programs to ensure an  
20 integrated approach, use its technical expertise to advise state  
21 and federal agencies to maximize funding sources and encourage



1 private industry investments, and evaluate Hawaii's efforts  
2 undertaken toward energy self-sufficiency.

3 Part II of this Act creates the biofuels development  
4 revolving loan fund, administered by the Hawaii strategic  
5 development corporation, with technical advice from the Hawaii  
6 natural energy institute. The purpose of the loan fund is to  
7 provide seed financing for commercially viable biofuel  
8 development projects, pending adoption of a comprehensive plan  
9 for Hawaii's energy self-sufficiency based, in part, on  
10 biofuels.

11 PART I.

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

15 " . Hawaii Natural Energy Institute"

16 **§304A-A Hawaii natural energy institute; structure;**  
17 **function.** (a) There is established the Hawaii natural energy  
18 institute at the University of Hawaii. The institute shall be  
19 administered by a director to be appointed by the board of  
20 regents upon recommendation by the president. The director of  
21 the institute shall appoint the professional members of the  
22 staff and other employees. The president and board of regents



1 shall have the same powers over the institute and its staff as  
2 over the university and its facilities.

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

7 (c) The institute shall:

- 8 (1) Develop renewable sources of energy for power  
9 generation and transportation fuels by coordinating  
10 the activities of state agencies and working with  
11 federal agencies and private entities;
- 12 (2) Conduct research and development of renewable sources  
13 of energy;
- 14 (3) Aggressively seek matching funding from federal  
15 agencies and private entities for its research and  
16 development activities;
- 17 (4) Provide technical assistance, advice, and  
18 recommendations relating to the use of funds  
19 administered by the Hawaii strategic development  
20 corporation relating to renewable energy programs; and
- 21 (5) Report annually to the legislature, no less than  
22 twenty days prior to the convening of each regular



1 session, on its activities, expenditures, contracts  
2 developed, advances in technology, assessment and  
3 analyses of state agencies and programs, and  
4 recommendations for proposed legislation.

5 **§304A-B Advisory council to Hawaii natural energy**

6 **institute.** (a) The institute shall establish an advisory  
7 council of seven members, appointed by the president from a list  
8 of nominees submitted by the Hawaii energy policy forum. The  
9 members of the advisory council shall be from the general  
10 public, organizations representing the utility industry,  
11 technology providers, and environmental groups. Members shall  
12 be selected on the basis of their proven expertise and interest  
13 in the field of renewable energy. The director of the institute  
14 and the energy resources coordinator shall serve as ex officio  
15 nonvoting members of the advisory council.

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

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



1           **§304A-C Energy systems development special fund.** (a)

2 There is established the energy systems development special fund  
3 for the purpose of developing an integrated approach and  
4 portfolio management of renewable energy projects that will  
5 reduce Hawaii's dependence on fossil fuel and imported oil and  
6 other imported energy resources and move Hawaii toward energy  
7 self-sufficiency.

8           (b) The special fund shall be funded by appropriations  
9 from the legislature, investment earnings, gifts, donations, or  
10 other income received by the institute and fifty per cent of any  
11 public benefit fees that may be established by the public  
12 utilities commission pursuant to section 269-121.

13           (c) The institute may use the special fund for the  
14 following activities:

15           (1) Obtaining matching funds from federal and private  
16 sources for research and development of renewable  
17 energy sources;

18           (2) Awarding contracts or grants to develop and deploy  
19 technologies that will reduce Hawaii's dependence on  
20 imported energy resources and imported oil. Projects  
21 may be commissioned that:



- 1 (A) Balance the risk, benefits, and time horizons of  
2 the investment to ensure tangible benefits to the  
3 Hawaii consumer, with priority given to short  
4 term technology development;
- 5 (B) Emphasize innovative and renewable energy supply  
6 and end use technologies focusing on  
7 environmental attributes, reliability, and  
8 affordability;
- 9 (C) Enhance transmission and distribution  
10 capabilities of renewable energy supply;
- 11 (D) Enhance reliability and storage capabilities of  
12 renewable energy;
- 13 (E) Ensure that research, deployment, and  
14 demonstration efforts build on existing programs  
15 and resources and are not duplicated;
- 16 (F) Address critical technical and scientific  
17 barriers to achieving energy self-sufficiency by  
18 reducing dependence on imported oil and imported  
19 energy resources;
- 20 (G) Ensure that technology used and developed for  
21 renewable energy production and distribution will  
22 be commercially viable; and



1 (H) Give priority to resources that are indigenous  
2 and unique to Hawaii.

3 (3) Managing the portfolio of projects commissioned under  
4 this subsection;

5 (4) Monitoring state agencies charged with implementing  
6 renewable energy projects and programs, including  
7 programs to develop biofuels, to ensure compliance  
8 with program objectives and progress on meeting  
9 objectives; and

10 (5) Conducting an evaluation of the success of the  
11 projects and activities funded by the special fund.  
12 An evaluation shall be conducted by a two-person panel  
13 of independent energy and environmental technical  
14 experts at the end of the third year after the  
15 effective date of this Act, and thereafter every three  
16 years. The panel shall report the results of its  
17 evaluation to the legislature no less than twenty days  
18 prior to the convening of the following regular  
19 session."

20 SECTION 3. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$10,000,000, for  
22 fiscal year 2007-2008, and the same sum, for fiscal year 2008-





1 2009, to be deposited into the energy systems development  
2 special fund pursuant to section 304A-C.

3 SECTION 4. There is appropriated out of the energy systems  
4 development special fund the sum of \$10,000,000, or so much  
5 thereof as may be necessary for fiscal year 2007-2008, and the  
6 same sum, or so much thereof as may be necessary for fiscal year  
7 2008-2009, to be used for the purposes of the energy systems  
8 development special fund established pursuant to section 304A-C.

9 The sums appropriated shall be expended by the University  
10 of Hawaii, Hawaii natural energy institute, for the purposes of  
11 section 304A-C.

12 PART II.

13 SECTION 5. Chapter 211F, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16 "§211F-A Biofuels development revolving loan fund. (a)

17 There shall be established the biofuels development revolving  
18 loan fund, into which shall be deposited:

- 19 (1) Appropriations made by the legislature to the fund;  
20 (2) Any gifts, donations, or contributions from public or  
21 private sources;



1       (3) All interest earned on or accrued to moneys deposited  
2           in the fund; and

3       (4) Any other moneys made available to the fund from other  
4           sources.

5       (b) Moneys in the fund shall be used to provide low  
6       interest or no interest loans for seed capital for, or to match  
7       venture capital investments in, private sector and federal  
8       projects for research, development, testing, and implementation  
9       of the Hawaii biofuels program under section 196-A.

10       (c) The fund shall be administered by the Hawaii strategic  
11       development corporation, and funding decisions shall be made  
12       based upon technical advice and recommendations provided by the  
13       Hawaii natural energy institute and its advisory council."

14       SECTION 6. Chapter 196, Hawaii Revised Statutes, is  
15       amended by adding a new section to be appropriately designated  
16       and to read as follows:

17       "§196-A Hawaii biofuels program. There is established,  
18       within the department of business, economic development, and  
19       tourism, a Hawaii renewable biofuels program to manage the  
20       State's transition to energy self-sufficiency based in part on  
21       biofuels for power generation and transportation fuels. The



1 program shall design, implement, and administer activities that  
2 include:

- 3       (1) Strategic partnerships for the research, development,  
4       testing, and deployment of renewable biofuels  
5       technologies and production of biomass crops;
- 6       (2) Evaluation of Hawaii's potential to rely on biofuels  
7       as a significant renewable energy resource;
- 8       (3) Biofuels demonstration projects, including  
9       infrastructure for production, storage, and  
10       transportation of biofuels;
- 11       (4) Promotion of Hawaii's renewable biofuels resources to  
12       potential partners and investors for development in  
13       Hawaii as well as for export purposes;
- 14       (5) A plan to implement commercially viable biofuels  
15       development from year 2007 to 2010; and
- 16       (6) A mechanism to evaluate the biofuels development  
17       plan."

18       SECTION 7. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$10,000,000 for  
20 fiscal year 2007-2008, and the sum of \$10,000,000 for fiscal  
21 year 2008-2009, to be deposited into the biofuels development



1 revolving loan fund pursuant to section 211F-A, Hawaii Revised  
2 Statutes.

3 SECTION 8. There is appropriated out of the biofuels  
4 development revolving loan fund the sum of \$10,000,000, or so  
5 much thereof as may be necessary for fiscal year 2007-2008, and  
6 the same sum, or so much thereof as may be necessary for fiscal  
7 year 2008-2009, to be used for the purposes of providing loans  
8 from the biofuels development revolving loan fund, established  
9 pursuant to section 211F-A, Hawaii Revised Statutes.

10 The sums appropriated shall be expended by the Hawaii  
11 strategic development corporation for the purposes of section  
12 211F-A, Hawaii Revised Statutes.

13 SECTION 9. Act 235, Session Laws of Hawaii 1974, is  
14 repealed.

15 SECTION 10. In codifying the new sections added by  
16 sections 2, 5, and 6 of this Act, the revisor of statutes shall  
17 substitute appropriate section numbers for the letters used in  
18 designating the new sections in this Act.

19 SECTION 11. New statutory material is underscored.



1 SECTION 12. This Act shall take effect on July 1, 2007,  
 2 except that section 304A-C, Hawaii Revised Statutes, shall be  
 3 repealed on June 30, 2012.

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**Report Title:**

Hawaii Natural Energy Institute; Biofuels

**Description:**

Establishes the Hawaii natural energy institute at the University of Hawaii, with responsibilities for administering the energy development special fund. Creates the biofuels development revolving loan program administered by the Hawaii strategic development corporation. Makes appropriations.

