
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 coordinate the
4 institute's work 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; and
- 17 (4) Report annually to the legislature, no less than
18 twenty days prior to the convening of each regular
19 session, on its activities, expenditures, contracts
20 developed, advances in technology, assessment and
21 analyses of state agencies and programs, and
22 recommendations for proposed legislation.



§304A-B Advisory council to Hawaii natural energy

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

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

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

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

20 There is established the energy systems development special fund
21 for the purpose of developing an integrated approach and
22 portfolio management of renewable energy projects that will



1 reduce Hawaii's dependence on fossil fuel and imported oil and
2 other imported energy resources and move Hawaii toward energy
3 self-sufficiency.

4 (b) The special fund shall be funded by appropriations
5 from the legislature, investment earnings, gifts, donations, or
6 other income received by the institute.

7 (c) The institute may use the special fund for the
8 following activities:

9 (1) Obtaining matching funds from federal and private
10 sources for research and development of renewable
11 energy sources;

12 (2) Awarding contracts or grants to develop and deploy
13 technologies that will reduce Hawaii's dependence on
14 imported energy resources and imported oil. Projects
15 may be commissioned that:

16 (A) Balance the risk, benefits, and time horizons of
17 the investment to ensure tangible benefits to the
18 Hawaii consumer, with priority given to short
19 term technology development;

20 (B) Emphasize innovative and renewable energy supply
21 and end use technologies focusing on



- 1 environmental attributes, reliability, and
2 affordability;
- 3 (C) Enhance transmission and distribution
4 capabilities of renewable energy supply;
- 5 (D) Enhance reliability and storage capabilities of
6 renewable energy;
- 7 (E) Ensure that research, deployment, and
8 demonstration efforts build on existing programs
9 and resources and are not duplicated;
- 10 (F) Address critical technical and scientific
11 barriers to achieving energy self-sufficiency by
12 reducing dependence on imported oil and imported
13 energy resources;
- 14 (G) Ensure that technology used and developed for
15 renewable energy production and distribution will
16 be commercially viable; and
- 17 (H) Give priority to resources that are indigenous
18 and unique to Hawaii.
- 19 (3) Managing the portfolio of projects commissioned under
20 this subsection; and
- 21 (4) Conducting an evaluation of the degree to which the
22 projects and activities of the special fund comport



1 with and achieve their stated objectives. An
2 evaluation shall be conducted by a two-person panel of
3 independent energy and environmental technical experts
4 appointed by the director of business, economic
5 development, and tourism, at the end of the third year
6 after the effective date of this Act, and thereafter
7 every three years. The panel shall report the results
8 of its evaluation to the legislature no less than
9 twenty days prior to the convening of the following
10 regular session."

11 SECTION 3. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ for
13 fiscal year 2007-2008, and the same sum, for fiscal year
14 2008-2009, to be deposited into the energy systems development
15 special fund pursuant to section 304A-C, Hawaii Revised
16 Statutes.

17 SECTION 4. There is appropriated out of the energy systems
18 development special fund the sum of \$, or so much
19 thereof as may be necessary for fiscal year 2007-2008, and the
20 same sum, or so much thereof as may be necessary for fiscal year
21 2008-2009, to be used for the purposes of the energy systems
22 development special fund established pursuant to section 304A-C,



1 Hawaii Revised Statutes, including a plan of action developed in
2 coordination with the energy resources coordinator that promotes
3 the effective prioritization and focuses the efforts of the
4 Hawaii natural energy institute in a manner consistent with the
5 State's energy program.

6 The sums appropriated shall be expended by the University
7 of Hawaii, Hawaii natural energy institute, for the purposes of
8 section 304A-C, Hawaii Revised Statutes.

9 **PART II**

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

13 "§211F-A Biofuels development revolving loan fund. (a)

14 There shall be established the biofuels development revolving
15 loan fund, into which shall be deposited:

16 (1) Appropriations made by the legislature to the fund;

17 (2) Any gifts, donations, or contributions from public or
18 private sources;

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

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



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

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

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

13 "§196-A Hawaii biofuels program. There is established,
14 within the department of business, economic development, and
15 tourism, a Hawaii renewable biofuels program to manage the
16 State's transition to energy self-sufficiency based in part on
17 biofuels for power generation and transportation fuels. The
18 program shall design, implement, and administer activities that
19 include:

20 (1) Strategic partnerships for the research, development,
21 testing, and deployment of renewable biofuels
22 technologies and production of biomass crops;



1 (2) Evaluation of Hawaii's potential to rely on biofuels
2 as a significant renewable energy resource;

3 (3) Biofuels demonstration projects, including
4 infrastructure for production, storage, and
5 transportation of biofuels;

6 (4) Promotion of Hawaii's renewable biofuels resources to
7 potential partners and investors for development in
8 Hawaii as well as for export purposes;

9 (5) A plan to implement commercially viable biofuels
10 development from year 2007 to 2010; and

11 (6) A mechanism to evaluate the biofuels development
12 plan."

13 SECTION 7. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ for
15 fiscal year 2007-2008, and the sum of \$ for fiscal
16 year 2008-2009, to be deposited into the biofuels development
17 revolving loan fund pursuant to section 211F-A, Hawaii Revised
18 Statutes.

19 SECTION 8. There is appropriated out of the biofuels
20 development revolving loan fund the sum of \$, or so
21 much thereof as may be necessary for fiscal year 2007-2008, and
22 the same sum, or so much thereof as may be necessary for fiscal



1 year 2008-2009, to be used for the purposes of providing loans
2 from the biofuels development revolving loan fund, established
3 pursuant to section 211F-A, Hawaii Revised Statutes.

4 The sums appropriated shall be expended by the Hawaii
5 strategic development corporation for the purposes of section
6 211F-A, Hawaii Revised Statutes.

7 SECTION 9. Act 235, Session Laws of Hawaii 1974, is
8 repealed.

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

13 SECTION 11. New statutory material is underscored.

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



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. (SD1)

