

STAND. COM. REP. NO.

2044

Honolulu, Hawaii

FEB - 8 2010

RE: S.B. No. 2232

S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 2232 entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE FUELS,"

begs leave to report as follows:

The purpose of this measure is to expand the existing ethanol facility tax credit to include other liquid biofuels and to enable larger facilities to be eligible for the tax incentive, without changing the level of incentive or cap per facility.

Your Committee received testimony in support of this measure from one state department. One state department and three private organization submitted testimony in support of the measure, with comments. One private organization submitted testimony supporting the intent of the measure. Comments were submitted by three private organizations. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Due to the number and range of comments and requested amendments received by your Committee from various stakeholders, a working group of interested parties met to discuss a compromise regarding suggested amendments to the measure as received. The stakeholders included representatives from the Department of Business, Economic Development, and Tourism, the Department of Taxation, the Hawaii Renewable Energy Alliance, Pacific West Energy LLC, and Hawaii BioEnergy.



Your Committee finds that biofuels will likely play a major role in Hawaii's clean energy future, particularly as a substitute for petroleum-based transportation fuels. However, these fuels are not limited to just ethanol, but include other biofuels from such renewable resources as sugarcane, algae, and waste products. By expanding the ethanol facility tax credit to encourage the production of other biofuels, Hawaii's energy future can be diversified, and investment in these other renewable fuels can be encouraged.

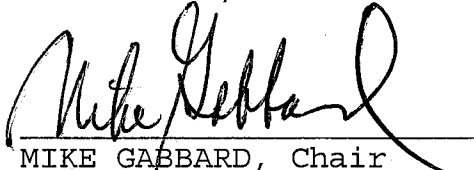
Incorporating changes recommended by the stakeholder working group, your Committee has amended this measure by:

- (1) Monetizing the tax credit as a specific dollar amount, rather than a percentage of gallon capacity;
- (2) Revising the definition of "agricultural feedstocks" to expand the types of feedstocks intended to be covered by this definition, while removing specific restrictions on the condition or source of the feedstocks;
- (3) Specifying that direct capital expenditures in agricultural infrastructure, and the types of such expenditures, may qualify as an investment under the tax credit;
- (4) Expanding the types of qualifying biofuel production methods to include methods used in the production of biofuels other than ethanol;
- (5) Amending the annual aggregate tax credit cap by pro-rating the caps between facilities producing ethanol and facilities producing other types of biofuel, without changing the current aggregate cap amount; and
- (6) Making other technical, nonsubstantive changes for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2232, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2232, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,


MIKE GABBARD, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* SB 2232	Committee Referral: ENE, WAM	Date: 2 Feb 28 Jan 2010		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	/			
ENGLISH, J. Kalani (VC)	/			
GREEN, M.D., Josh	/			
HOOSER, Gary L.		/		
IHARA, Jr., Les				/
KOKUBUN, Russell S.		/		
HEMMINGS, Fred				/
TOTAL	3	2		2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>J. Kalani English</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes