
A BILL FOR AN ACT

RELATING TO THE BIOFUEL LOAN GUARANTEE PROGRAM.

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

1 SECTION 1. The legislature finds that Hawaii relies too
2 heavily on imported fuels to meet its energy and transportation
3 needs. In the past, Hawaii has produced more than thirty per
4 cent of its electricity using sugarcane bagasse. The demise of
5 the sugarcane industry, however, took a heavy toll on Hawaii's
6 ability to generate renewable energies. Presently, more than
7 eighty-five per cent of the State's electricity and one hundred
8 per cent of its transportation fuel are imported.

9 The legislature finds that it is difficult for biofuel
10 production companies to obtain financing through conventional
11 financial institutions because most commercialized technologies
12 are in their infancy. Providing incentives and financing
13 support to encourage the development of biofuel production
14 facilities in the State has the potential to:

15 (1) Reduce Hawaii's reliance on petroleum by forty per
16 cent by the year 2030;

17 (2) Attract private sector investments to the biofuel
18 industry; and



1 (3) Create jobs in the agriculture, construction, and
2 biofuel industries.

3 The purpose of this Act is to reduce Hawaii's dependence on
4 imported fuel and reinvigorate Hawaii's struggling agriculture
5 industry by creating a biofuel production facility loan
6 guarantee program.

7 SECTION 2. The Hawaii Revised Statutes is amended by
8 adding a new chapter to be appropriately designated and to read
9 as follows:

10 "CHAPTER

11 HAWAII BIOFUEL PRODUCTION FACILITY LOAN GUARANTEE PROGRAM

12 § -1 Definitions. As used in this chapter:

13 "Biofuel production facility" means a facility in this
14 State that produces liquid or gaseous fuels, including but not
15 limited to ethanol and biodiesel, from locally produced
16 municipal solid waste and construction and demolition waste, and
17 organic sources such as biomass crops; agricultural residues;
18 and oil crops, including palm, canola, soybean, and waste
19 cooking oils; grease; food wastes; and animal residues and
20 wastes that can be used to generate energy.

21 "Department" means the department of business, economic
22 development, and tourism.



1 "Offtake agreement" means a contract between a biofuel
2 producer and a buyer to purchase biofuels refined at a biofuel
3 production facility in the State.

4 § -2 **Hawaii biofuel production facility guarantee loan**
5 **program; loan; limitation and terms.** (a) There is established
6 the Hawaii biofuel production facility loan guarantee program to
7 be administered by the department of business, economic
8 development, and tourism.

9 (b) Subject to availability of funds, the department may
10 guarantee loans to assist eligible applicants with the
11 construction and development of biofuel production facilities in
12 the State.

13 (c) The department shall limit the loans guaranteed under
14 this chapter by specifying that:

15 (1) There shall be an unconditional offtake agreement
16 between the applicant and a biofuel purchaser with a
17 Standard & Poor's credit rating of no less than BBB-
18 or a Moody's credit rating of no less than Baa3 for
19 the duration of the loan guarantee;

20 (2) The applicant's earnings before interest, taxes,
21 depreciation, and amortization shall not be less than
22 the amount equal to the total of the interest and



- 1 amortization of the loan guarantee multiplied by one
2 and one-half;
- 3 (3) The applicant shall be required to pay one per cent of
4 the value of the loan guarantee annually for the
5 duration of the loan guarantee;
- 6 (4) The applicant shall purchase insurance coverage in an
7 amount sufficient to protect against revenue losses
8 resulting from unforeseen events beyond the
9 applicant's control;
- 10 (5) The default of a loan guaranteed to an applicant under
11 this chapter shall result in the transfer of ownership
12 of the applicant's biofuel production facility to the
13 State; and
- 14 (6) The biofuel production facility shall be located
15 within the State and shall use feedstock grown or
16 sourced from within the State for at least seventy-
17 five per cent of its production output.
- 18 (d) Interest charged on an insured loan made under the
19 provisions of this chapter shall be determined by the
20 department.
- 21 (e) The total amount of loans guaranteed under this
22 chapter shall not exceed \$1,000,000,000.



1 § -3 Rules. The department shall adopt rules pursuant
2 to chapter 91 to implement and administer this chapter by:

- 3 (1) Prescribing the qualifications for eligibility of
- 4 applicants for loan guarantees;
- 5 (2) Prescribing the qualifications for eligible
- 6 development and construction costs;
- 7 (3) Providing for public inspection at reasonable hours of
- 8 the biofuel production facilities, books, and records
- 9 of an enterprise that has applied for or has been
- 10 granted a loan guarantee;
- 11 (4) Setting additional terms and conditions on the
- 12 granting of a loan guarantee to a biofuel production
- 13 facility; and
- 14 (5) Requiring the submission of progress and final reports
- 15 and prescribing the contents of those reports."

16 SECTION 3. This Act shall take effect July 1, 2011.

17

INTRODUCED BY:

[Handwritten signatures and names over the text "INTRODUCED BY:"]

[Signature]
[Signature]
 Denny Coffey
 Cynthia Kuehn
[Signature]
[Signature]
[Signature]
 Linda Lehmann
 D.C. Koch
 Hummer Mout



Hakshuma

JAN 21 2011



Report Title:

Biofuel Loan Guarantee Program

Description:

Creates a loan guarantee program for the construction and development of biofuel production facilities.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

