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## A BILL FOR AN ACT

RELATING TO GEOTHERMAL ROYALTIES.

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

1           SECTION 1. The legislature finds that geothermal  
2 technology facilitates the generation of power from heat and  
3 energy found below the earth's surface. Currently, mining  
4 leases may be obtained from the State to conduct geothermal  
5 resource development on lands for which mineral rights are  
6 reserved to the State. A geothermal mining lease may involve  
7 the payment of royalties to the State for the utilization of  
8 geothermal resources. Thirty per cent of the royalties received  
9 by the State from geothermal resources must be paid to the  
10 county in which the mining operations are situated.

11           The purpose of this Act is to ensure that the county share  
12 of geothermal royalties from state leases is expended in a  
13 manner that directly benefits public schools in the vicinity of  
14 geothermal mining operations.

15           SECTION 2. Section 182-7, Hawaii Revised Statutes, is  
16 amended by amending subsection (c) to read as follows:

17           "(c) The payments to the State as fixed by the board shall  
18 be specified; provided that:



1           (1) In the case of bauxite, bauxitic clay, gibbsite,  
2           diaspore, boehmite, and all ores of aluminum, the  
3           amount of royalties for each long dry ton of ore as  
4           beneficiated shall not be less than twenty-five cents  
5           or the equivalent of the price of one pound of virgin  
6           pig aluminum, whichever is higher, nor shall it exceed  
7           the equivalent of the price of three pounds of virgin  
8           pig aluminum;

9           (2) The rate of royalty for ore processed into aluminous  
10          oxide in the State shall be set at eighty per cent of  
11          the rate of royalty for ore not processed to aluminous  
12          oxide in the State; and

13          (3) The royalty shall be fixed at a rate which will tend  
14          to encourage the establishment and continuation of the  
15          mining industry in the State.

16          The prices of virgin pig aluminum for the purpose of  
17          determining the royalties under this section shall be the basic  
18          price on the mainland United States market for virgin pig, not  
19          refined, f.o.b. factory. The royalties shall be in lieu of any  
20          severance or other similar tax on the extracting, producing,  
21          winning, beneficiating, handling, storing, treating, or  
22          transporting of the mineral or any product into which it may be



1 processed in the State, and shall not be subject to reopening or  
2 renegotiating for and during the first twenty years of the lease  
3 term.

4 In the event the lessee desires to mine other minerals, the  
5 lessee, before mining the minerals, shall so notify the board in  
6 writing, and the board and the lessee shall negotiate and fix  
7 the royalties for the minerals.

8 Any other law to the contrary notwithstanding, thirty per  
9 cent of all royalties received by the State from [~~geothermal~~  
10 ~~resources shall be paid to the county in which~~] mining  
11 operations covered under a state geothermal resource mining  
12 lease shall be paid to the Hawaii state energy office of the  
13 department of business, economic development, and tourism for  
14 allocation among all public schools located within the public  
15 school district in which the mining operations under the lease  
16 are situated."

17 SECTION 3. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.



# H.B. NO. 1970

1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

Hakshina  
Ray Blaker  
[Signature]  
Nicol E. Low  
[Signature]  
Cindy Eban  
Richard Cuzo

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# H.B. NO. 1970

**Report Title:**

Geothermal Mining; Royalties

**Description:**

Reallocates the county share of state geothermal royalties to DBEDT's Hawaii State Energy Office for allocation among all public schools located in the school district where geothermal mining operations under state leases are situated.

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