

Testimony to the Senate Committee on Ways and Means

Friday, February 23, 2018 10:00 a.m.
Conference Room 211, State Capitol
RE: Senate Bill 3077 SD1

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee on Ways and Means:

Kupu **supports** SB3077 SD1 and provides the following comments:

HB3077 proposes 1) to clarify the definition of Biomass Crops, 2) to increase the renewable fuels production tax credit (PTC) by \$500,000 from \$3.0 million to \$3.5 million and to make the PTC permanent and 3) to create a renewable fuel facilitator position within the department of business, economic development, and tourism and requires reporting to the Legislature.

Kupu is a 501(c)3 non-profit, that empowers future generations to create a more sustainable, pono Hawai'i. The organization provides hands-on training programs that educate and mentor youth to become stewards of our culture and environment, helping them develop a strong connection to the place in which we live.

This bill will help our youth by assisting to develop a sustainable industry of forestry in an economically depressed area of the Island of Hawaii.

We see the opportunity to partner with a biofuel developer as beneficial in a number of ways. Biofuel is a renewable fuel source, critical to our mission of environmental stewardship and the ability to provide internships will serve as character building and service-learning opportunities. We stand in **support** of SB3077 SD1.

Thank you for the opportunity to testify.



John Leong
Chief Executive Officer

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018



THE SENATE
COMMITTEE ON WAYS AND MEANS
Sen. Donovan Dela Cruz, Chair
Sen. Gilbert S.C. Keith-Agaran, Vice Chair
State Capitol, Conference Room 211
Date: Friday, February 23, 2018; 10:00 a.m.

**STATEMENT OF ILWU LOCAL 142 ON SB 3077, SD1
RELATING TO BIOFUELS**

The ILWU supports SB 3077 SD 1 which increases the renewable fuel tax credit to \$3.5 million and makes the tax credit permanent. Increasing the fuel tax credit will encourage investment in renewable fuel production in Hawaii.

Biofuels can be locally produced directly creating job growth in Hawaii's forestry, energy, farming, and manufacturing industries. Creation of new construction and permanent jobs will help support local families on the Big Island where it is sorely needed.

The ILWU Local 142 supports SB 3077 SD1. Thank you for consideration of our views on this matter.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawaii Energy Policy Forum

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Michael Brittain, IBEW, Local Union 1260
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Caroline Carl, Hawaii Energy
Albert Chee, Island Energy Services
Elizabeth Cole, The Kohala Center
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Richard DeGarmo, Hawaii Gas
Mitch Ewan, UH Hawaii Natural Energy Institute
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Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
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Representative Chris Lee, Hawaii State Legislature
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Stephen Meder, UH Facilities and Planning
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Kirsten Turner, Ofc of US Representative Tulsi Gabbard
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony of Lance Tanaka
Chair, Fuels Working Group
Hawaii Energy Policy Forum

LATE

To the
Senate Committee on Ways and Means

February 23, 2018 at 10:00 a.m. in Conference Room 211

**IN SUPPORT OF SENATE BILL 3077, SENATE DRAFT 1, RELATING TO
BIOFUELS**

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee,

I am Lance Tanaka, Chair of the Fuels Working Group of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals.

SB 3077 increases the renewable fuel tax credit cap by \$500,000 to \$3,500,000 and makes the tax credit available to qualifying producers for the first 5 years of production. The bill also creates a renewable fuel facilitator position within the department of business, economic development, and tourism. Finally, the bill amends the definitions of "biofuels" and "renewable fuels" and "renewable Feedstocks" to better align with federal definitions.

The Forum supports this bill and would like to offer comments and amendments.

SB 3077, SD 1 provides for facilitation and an incentive for the successful development of sustainable and integrated food and fuel projects in the Islands, of which biofuels will play a major role. The supply chain would fully utilize locally sourced materials—grown as well as man-made waste materials—to convert into food and/or fuel.

The Forum has been consistent each year in supporting the Barrel Tax and this Biofuel Production Facility Tax Credit, and in its desire to see the funds applied toward the original legislative intent of meeting Hawaii's food and energy security needs. The state's four fuel refining companies (Par Hawaii, Island Energy Services, Hawaii Gas, and Pacific Biodiesel), together comprise more than 90% of the manufacturing sector and 100% of the renewable fuel production capability in the state, and refine or distribute over two-thirds of the energy consumed in the state.

For fuel producers attempting to upgrade their operations to help the state meet its



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Will Rolston, Hawaii County, Research & Development
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Scott Seu, Hawaiian Electric Companies
Carilyn Shon, Hawaii State Energy Office, DBEDT
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ambitious 100% renewable electricity, greenhouse gas reduction, and other clean energy goals and mandates, the Forum believes there currently is no position at the

Hawaii State Energy Office that is clearly responsible for facilitating information sharing across the important issues that renewable fuels touch upon, such as agriculture, water, health, waste re-use, and permitting. This bill seeks to dedicate one person in the Hawaii State Energy Office to fill this important facilitation role, and to fund it with the Energy Security Special Fund.

The Forum also requests that the Committee consider the following amendments:

- Amend definitions of “biofuel,” “renewable fuel” and “renewable feedstocks” to better conform to the Federal Renewable Fuel Standard (RFS) definitions. Doing so will ease both producer reporting and DBEDT certification of qualifying fuels. It will also facilitate the legislative intent set by last year’s HB 1578, signed into law as Act 33, SLH 2017 to establish a Carbon Farming Task Force within the Office of Planning to improve soil health and promote carbon sequestration. Updating the statutory definitions of renewable fuels will address both this desire and ease the way for state producers to sell renewable fuel credits to obligated parties outside Hawaii. Therefore, we recommend Part II, Section 2, 235-110.31 definitions of “renewable feedstocks” and “renewable fuels be amended to include “any feedstock and any fuel as defined by the U.S. EPA under 40 CFR Part 80 Renewable Fuel Standard.” (See <https://www.epa.gov/renewable-fuel-standard-program>.)
- Amend qualifying amount of fuel to be “20 cents per seventy-~~six~~seven thousand British thermal units of renewable fuels at 60 degrees Fahrenheit and 1 atmosphere of pressure using the lower heating value sold for distribution in Hawaii...” Again, doing so would better conform to the federal Renewable Fuel Standard (RFS) definitions and ease producer and DBEDT reporting.
- Clarify that “carbon emissions” reduction is desired specifically for fossil carbon sources. In Part III, Section 4, Chapter 201, HRS, (b)(2)(A)(i) add “fossil” to read: “...and reducing fossil carbon emissions...”

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies