

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, February 22, 2022
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2478, S.D. 1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 2478, S.D. 1, and offers the following comments for the committee's consideration.

S.B. 2478, S.D. 1, reinstates the Renewable Fuels Production Tax Credit (RFPTC), which was previously codified at section 235-110.31, Hawaii Revised Statutes (HRS), before its duly scheduled repeal on December 31, 2021. The credit is equal to an unspecified number of cents per seventy-six thousand British thermal units of renewable fuels sold for distribution in Hawaii, up to an unspecified dollar cap; provided that the taxpayer's production of renewable fuels is not less than two billion five hundred million British thermal units of renewable fuels per calendar year. The Department of Business, Economic Development, and Tourism (DBEDT) is responsible for certifying the credit and for administering the unspecified annual aggregate cap for all eligible taxpayers. Taxpayers must also provide written notice to the Department and to DBEDT of their intention to begin production of renewable fuels prior to production of any renewable fuels in a calendar year. The measure applies to taxable years beginning after December 31, 2021.

The Department notes that the Committee on Energy, Economic Development, and Tourism amended the previous version of this measure to include the Department's suggested language for preventing taxpayers from circumventing the five-year credit period by forming a new entity to qualify for additional credits. The Department appreciates this change and requests that it remain intact.

The previous Committee also inserted blank amounts for calculation of the credit, the annual cap per taxpayer, and the annual aggregate cap, and added wastewater to the list of sources from which renewable fuels may be generated or produced. The Department defers to

Department of Taxation Testimony
WAM SB 2478 SD1
February 22, 2022
Page 2 of 2

DBEDT on the merits of the inclusion of wastewater and its ability to certify the credit, but requests that third-party certification and administration of the aggregate cap remain intact. The Department does not have the subject-matter expertise necessary to certify this credit.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2478, S.D. 1

February 22, 2022
10:00 a.m.
Room 211 and Videoconference

RELATING TO TAXATION

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2478, S.D. 1, adds a new section to Chapter 235, HRS, that reinstates the Renewable Fuels Production Tax Credit (RFPTC) which was originally repealed on December 31, 2021. For each taxpayer that produces renewable fuels, the RFPTC would be equal to an unspecified amount of cents per 76,000 British thermal units (BTU) per calendar year up to an unspecified annual limit over a five-year period, provided that the taxpayer's production of renewable fuels is not less than 2,500,000,000 BTUs per calendar year.

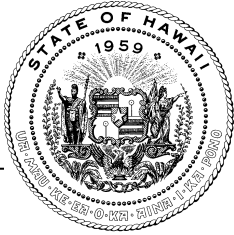
B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 22, 2022
10:00 AM
State Capitol, Conference Room 211 & Videoconference

**SUPPORT
SB 2478, SD1
RELATING TO TAXATION.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 2478, SD1, which reinstates the renewable fuels production tax credit.

HSEO's testimony is guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy.

Renewable fuels provide local jobs and economic benefits in both the energy and agricultural sectors and can also provide value-added products including food and cosmetics, among others that support economic diversification for Hawaii. HSEO managed the certification of the previous renewable fuels production tax credit.¹

SB 2478, SD1, is structured similarly to the previous statute, and importantly includes provisions for the taxpayer to provide an independent third-party certified statement, establishes deadlines for steps in the certification process, and establishes an approach in the case of the cap being exceeded in any given year.

¹ The renewable fuels production tax credit, HRS 235-110.31, effective for the five year period between January 1, 2017 and December 31, 2021, was established by [Act 202, session Laws of Hawai'i 2016](#), amended by [Act 142, Session Laws of Hawaii 2017](#) and further amended by [Act 143, Session Laws of Hawai'i 2018](#).

SB 2478, SD1 refers to the Department of Business, Economic Development, and Tourism (DBEDT) as the administrator of the credit. As the previous credit was administered by the Hawaii State Energy Office, formerly a Division of DBEDT, but in 2019 made an attached agency to DBEDT,² HSEO recommends that references to “Department of Business, Economic Development and Tourism” be replaced with references to the “Hawaii State Energy Office” and references to the “Director of Business, Economic Development and Tourism” be replaced with “Chief Energy Officer,” if the Legislature desires to reinstate a similar system for certification of the renewable fuels production tax credit.

HSEO defers to the appropriate agencies on matters relating to tax administration and budget concerns.

Thank you for the opportunity to testify.

² [Act 122, Session Laws of Hawaii 2019](#).

THE SENATE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022
TESTIMONY ON SENATE BILL NO. 2478 SD1, RELATING TO TAXATION

Position: **SUPPORT**

To the Honorable Senator Donovan M. Dela Cruz, Chair; Senator Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Committee:

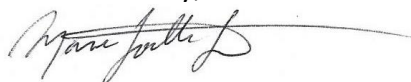
We submit this testimony in **support** of this measure, to renew the renewable fuels production tax credit.

Our company is an Oahu-based small business developing new ways to recycle waste into sustainable aviation fuel, green hydrogen, renewable natural gas, and other beneficial products such as new building materials. We are currently executing a feasibility study on a new project, to be called "Aloha Carbon," which would produce renewable fuels from waste, primarily from waste wood and wood products, cardboard, paper, and other organic wastes separated from construction and demolition debris, all of which would otherwise be landfilled.

Our company was the convener for the first-ever Hawaii Aviation and Climate Action Summit, which was held December 3rd 2019. At this Summit, which was free and open to the public, nearly 100 representatives from major airlines, local fuel and transportation industry leaders, environmental advocates, and officials from the State of Hawaii met to discuss actions to be taken to reduce the greenhouse gas (GHG) emissions from international airlines serving Hawaii. Attendees reviewed the mandate established by the International Civil Aviation Organization (ICAO)'s Carbon Offset and Reduction Scheme for International Aviation (CORSIA). CORSIA, the aviation equivalent of the Paris Climate Accord, applies to all international flights including those to and from Hawaii, and requires commercial airlines to reduce the GHG intensity of their operations by 50% below 2005 levels by 2050. Commercial airlines began benchmark reporting in 2019 and the program becomes mandatory for developed countries' airlines in 2022. At the Summit, attendees voted on several potential state policy measures to facilitate sustainable aviation fuel production in Hawaii for airlines serving Hawaii. This Renewable Fuel Production Tax Credit of the State of Hawaii was held up as a tangible example of the State's support to reduce the greenhouse gas intensity of transportation fuels, and a rare example of a state incentive that can be applied to aviation fuel production.

Thank you for your consideration of this testimony.

Sincerely,



Marie-Joelle Simonpietri
President



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 17, 2022

TO: Senator Donovan Dela Cruz
Chair, Committee on Ways and Means

FROM: Tiffany Yajima

RE: **S.B. 2478, SD1 – Relating to Taxation**
Hearing Date: Tuesday, February 22, 2022 at 3:00 p.m.
Conference Room: 211

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

On behalf of the Alliance for Automotive Innovation (“Auto Innovators”) we submit these comments in **support** of S.B. 2478, SD1, which reinstates the renewable fuels tax credit that was repealed on December 31, 2021.

The Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. Members include motor vehicle manufacturers, original equipment suppliers, technology, and other automotive-related companies and trade associations.

Auto Innovators are supportive of the state’s pursuit of alternative fuels for transportation. The automotive industry has made and continues to make a significant investment in hydrogen as a feasible fuel for motor vehicles, and recognizes the importance of government support for projects that support renewable fuel production.

Thank you for the opportunity to submit this testimony.



Biotechnology Innovation Organization

Testimony from Gene Harrington, Senior Director Government Affairs, BIO

In support of SB 2478– Relating to Taxation

Tuesday, Feb. 22, 10:00 am, Via Zoom

Senate Committee on Ways and Means

Aloha Chair Dela Cruz and members of the committee,

BIO is the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. Our key areas of focus are health biotechnology, industrial and environmental biotechnology, and food and agriculture biotechnology. We are in strong support of SB 2478.

We believe this bill is an integral tool to help the state achieve its policy goal of 100 percent renewable energy by 2045. A renewable fuels production tax credit is an important incentive for the production of renewable fuels and supports the state's clean energy and carbon reduction goals.

Mahalo for your consideration.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable Fuels Production Tax Credit

BILL NUMBER: SB 2478 SD 1

INTRODUCED BY: Senate Committee on Energy, Economic Development and Tourism

EXECUTIVE SUMMARY: Reinstates the renewable fuels production tax credit. Our view is that a direct appropriation to buy or subsidize energy production would be far superior because (1) we know how much we are spending and (2) we know what we are buying.

SYNOPSIS: Adds a new section to HRS chapter 235 to establish a nonrefundable renewable fuels production tax credit. The credit shall be allowed to taxpayers producing qualifying renewable fuels provided the credit shall not be claimed for more than five years beginning from the first taxable year in which a taxpayer begins renewable fuels production at a level of at least 2.5 billion British thermal units (BTU) of renewable fuels per calendar year.

The annual dollar amount of the credit shall be ____ per 76,000 BTUs of renewable fuels using the lower heating value sold for distribution in Hawaii; provided that the taxpayer's production of renewable fuels is not less than 2.5 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to \$ ____ per taxable year. Each taxpayer, together with all of its related entities as determined under Internal Revenue Code section 267(b) and all business entities under common control, as determined under Internal Revenue Code sections 414(b), 414(c), and 1563(a), shall not be eligible for more than a single five-year credit period.

Defines "renewable fuels" as fuels produced from renewable feedstocks provided that the fuels shall be sold as a fuel in Hawaii, and meet the relevant ASTM International specifications for the particular fuel or other industry specifications, including but not limited to: (1) methanol, ethanol, or other alcohols; (2) hydrogen; (3) biodiesel or renewable diesel; (4) biogas; (5) other biofuels; (6) renewable jet fuel or renewable gasoline; or (7) logs, wood chips, wood pellets, or wood bark.

Defines "renewable feedstocks" as (1) biomass crops and other renewable organic material, including but not limited to logs, wood chips, wood pellets, and wood bark; (2) agricultural residues; (3) oil crops, including but not limited to algae, canola, jatropha, palm, soybean, and sunflower; (4) sugar and starch crops, including but not limited to sugar cane and cassava; (5) other agricultural crops; (6) grease and waste cooking oil; (7) food wastes; (8) municipal solid wastes and industrial wastes; (9) water, including wastewater; and (10) animal residues and wastes, to the extent that they can be used to generate energy.

Requires the department of business, economic development and tourism (DBEDT) to verify and certify each claim for the credit including the total amount of credit for each taxable year and the

cumulative amount of tax credit during the credit period. The department shall issue a certificate to qualifying taxpayers who shall file the certificate with the department of taxation (DOTAX).

If in any year the annual amount of certified credits reaches \$ _____ in the aggregate, DBEDT shall discontinue certifying credits and notify the department of taxation.

If the amount of credits exceeds the taxpayer's income tax liability, the excess of credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for a credit under this section shall be properly filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Prior to production of any qualifying renewable fuels for the year, the taxpayer is to provide written notice of the taxpayer's intention to begin production of qualifying renewable fuels to DOTAX and DBEDT with information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer's contact information. The taxpayer shall also provide written notice to the director of taxation and the director of DBEDT within 30 days following the start of production and include the production start date and expected renewable fuel production for the next year.

In each calendar year during the credit period, the taxpayer shall provide information to the director of DBEDT on the number of BTU of renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks used for renewable fuels production, the number of employees of the facility and each employee's state of residency, and the projected number of BTU of renewable fuels production for the succeeding year.

In the case of a partnership, S corporation, estate, or trust, distribution and share of the tax credit for renewable fuels production shall be determined pursuant to section 704(b) (with respect to partner's distributive share) of the Internal Revenue Code.

Directs the director of DBEDT, following each year in which a credit under this section has been claimed, to submit a written report to the governor and legislature regarding the production and sale of renewable fuels. The report shall include the number, location, and production of renewable fuels production facilities in the State and outside the State that have claimed a credit under this section; the total number of British thermal units of renewable fuels, broken down by type of fuel, produced and sold during the previous year; and the projected number of BTU of renewable fuels production for the succeeding year.

Requires DOTAX to prepare the necessary forms to claim the credit, and DOTAX may require the taxpayer to furnish information to validate a claim for the credit, and may adopt rules necessary to effectuate the purpose of the law pursuant to chapter 91.

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2021.

STAFF COMMENTS: Act 202, SLH 2016, enacted a renewable energy credit with a five-year life. The credit sunset on December 31, 2021. This bill revives the credit with some

modifications. First, the bill requires an annual production of 2.5 billion BTU of renewable energy per year, while Act 202 required an annual production of 15 billion BTU. Next, the bill explicitly allows logs, wood chips, wood pellets, or wood bark to qualify as renewable fuels.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few years is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are irresponsible as the cost of these credits goes far beyond what was ever intended. Instead, lawmakers should encourage alternative energy production through the appropriation of a specific number of taxpayer dollars. The State could directly purchase energy or it could give a subsidy to developers. Then, lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

Digested: 2/18/2022

SB-2478-SD-1

Submitted on: 2/20/2022 7:43:29 PM

Testimony for WAM on 2/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Ted Bohlen	Testifying for Climate Protectors Hawai'i	Oppose	No

Comments:

To: The Honorable Donovan Dela Cruz, Chair, The Honorable Gilbert Keith-Agaran, Vice Chair, and Members of the Senate Committee on Ways and Means

From: Climate Protectors Hawai'i (by Ted Bohlen)

Re: Hearing: SB2478 SD1 **RELATING TO TAXATION.**

Hearing: Tuesday, February 22, 2022, 10:00 a.m., Rm. 211 and by videoconference

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

The Climate Protectors Hawai'i is a group focused on reversing the climate crisis and encouraging Hawai'i to lead the world towards a safe and sustainable climate and future. **The Climate Protectors Hawai'i appreciates the bill's intent to incentivize renewable energy sources, but respectfully must **OPPOSE SB2478 SD1 unless it is amended to exclude tax credits for renewables that exacerbate the climate emergency, such as wood burning!****

The State and the world face a climate emergency. It is critical that we not incentivize renewable sources that exacerbate this climate emergency. **Some renewable energy sources, specifically burning wood, are very harmful to the climate. If Hawai'i is to reach its goal "to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as practicable, but no later than 2045," we must stop, not incentivize, the burning of wood.**

Mature trees benefit the climate by sequestering carbon. Harvesting them and burning them to generate electricity is a "**double whammy**" on the climate because it both stops trees from sequestering and emits greenhouse gases in combustion.

This bill would allow a tax credit for renewable energy sources, including wood-burning (page 9, lines 7-9, and page 10, line 13). Please amend this bill to strike the tax credit for generators using wood as feedstock or wood burning!

Mahalo!

Climate Protectors Hawai'i (by Ted Bohlen)



**Testimony to
The Committee on Ways and Means**

**Tuesday, February 22, 2022
10:00 AM
VIA Video Conference
Conference Room 211, Hawaii State Capitol**

SB 2478 SD1

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Hawaii Gas **supports SB 2478 SD1**, which reinstates the renewable fuels production tax credit.

Hawaii Gas is a national leader in the production and distribution of renewable gas in a gas utility system and has committed to support the state's march towards carbon neutrality by 2045. Despite representing less than 1% of the greenhouse gases emitted into Hawaii's atmosphere, we agree that it's everyone's responsibility to do everything we can to make sure Hawaii meets that milestone.

Renewable feedstocks are key components to creating renewable natural gas, hydrogen, and other renewable biofuels, all of which are important fuel replacements for fossil fuels.

Tax incentives have proven to be an effective tool in encouraging the development of innovative new technologies, just as seen in the burgeoning solar and wind industry decades ago. These incentives also provide a method for ratepayers to be provided lowered costs for new technologies that are capital intensive and have not had time to mature and scale. Hawaii recognized the impact of this concept when it created a production tax credit six years ago, which unfortunately sunset on December 31, 2021. It was during this time that Hawaii Gas developed a unique project in partnership with the City and County of Honolulu to purchase gas emissions from the wastewater treatment process, which were being released into the atmosphere and capture it to create renewable natural gas. This project was among the first in the country to inject that renewable gas into the pipeline. It provided a benefit equivalent to taking up to 400 cars off the road every year.

Reinstating this credit will be pivotal to generate more of these innovative clean energy alternatives.

Projects like these require a significant amount of investment and may not produce an income tax liability for several of those years. If there are no state taxes due, the production tax credits can be taken in subsequent years. The net result is that the taxpayer may not receive the benefit of this tax incentive in the early years of production, therefore, the result of the tax



credit would not be effective, nor able to be passed onto the ratepayers in the form of discounted rates.

We ask that the legislature consider two amendments:

- 1) extend the credit period beyond 5 years
- 2) insert a discounted tax credit if taken as a refund.

If the legislature would consider including an amendment which would allow the taxpayer to elect to reduce the eligible credit by 30% if taken as a refund when there is no tax liability, it could create a benefit for the state and the ratepayers. A discounted refund will reduce the state funding liability by 30%, and the project would be able to immediately pass on the credit to the ratepayer.

We ask the committee to consider including an amendment to the bill similar to HRS § 235-12.5 subsections (g) – (h) of the renewable energy investment tax credit:

A taxpayer may elect to reduce the eligible credit amount by thirty per cent and if this reduced amount exceeds the amount of income tax payment due from the taxpayer...

up to the section ending in **"An election once made is irrevocable."**

We appreciate the benefits this legislation will bring to allow Hawaii Gas to provide reliable and affordable energy to the people and businesses of Hawaii while sustaining our reliability and resiliency, so critical to Hawaii's infrastructure especially in times of natural disasters.

We request the committee to include these amendments and pass SB 2478 SD1

Thank you for the opportunity to testify.



Testimony to the Committees on Ways and Means

Tuesday, February 22, 2022

10:00 AM

VIA Video Conference and Conference Room 211 Hawaii State Capitol

SB 2478 SD1

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SB 2478 SD1, regarding a renewable fuels production tax credit.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance and sustain the development of clean energy in Hawaii. Our goal is to support the state's policy goal of 100 percent renewable energy by 2045. We advocate for utility-scale renewable energy, which is critical to meeting the state's clean energy and carbon reduction goals.

Tax credits have proven essential in building momentum and scale in the development and distribution of diverse renewable fuel sources. Grid stability is essential to resiliency, and it's clear that Hawaii's grid depends on a variety of sources - including solar, wind, and other fuels - to deliver that stability to ratepayers. These production tax credits provide incentives for the production of a diverse renewable fuel supply, which in turn brings more renewable energy and fuel options to our grid.

These types of renewable fuels, such as hydrogen, can be used to transform the electric grid into zero emissions grid and power zero emissions vehicles. This type of fuel is innovative but also costly to produce. The recently passed Federal Infrastructure Legislation recognizes the importance of grid resiliency as well as hydrogen. Hawaii is known for its clean energy initiatives and this bill can attract many developers to the islands to showcase industry leadership. Renewable fuels can spur innovation, economic development and many well paying-jobs. The public utility has just issued a proposed request for proposals for firm renewable energy for 500-700 megawatts, on a grid which generates a total firm fossil fuel capacity of 1.794.5 MW. This is a great step in the direction of replacing fossil fuels, however we request the state consider policy that can help place renewable fuels on a level playing field with the tax credits afforded to fossil fuels and solar and wind.

We request consideration of the committee to extend the allowable credit period and consider that the taxpayer can elect to take a discounted credit if requesting in order to incentivize more development in Hawaii.

We ask the committee to pass this bill.

Thank you for the opportunity to testify.

February 22, 2022

Hawaii Senate
House Committee on Energy & Environmental Protection
Hawaii State Capitol
415 South Beretania St.
Honolulu, HI 96813

RE: Hawaii Senate Bill 2478, SD1 – Renewable fuels production tax credit

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

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding SB 2478, SD1.

Established in 1958, PFI is the trade association and the voice of U.S. cat and dog food and treat manufacturers. Our members account for the vast majority of pet food and treats made in the United States and feed 180 million pets in U.S. households. Our members operate under regulations issued by the U.S. Food and Drug Administration and enforced by both federal and state officials. This means dog and cat owners throughout the United States and around the world benefit from science-based regulations that provide the safest animal food supply available globally.

PFI recognizes and supports responsible efforts to address climate change and utilize additional energy sources that reduce carbon emissions. However, we have serious concerns that government incentives and mandates promoting renewable fuel growth have created unintended consequences in supply and demand for animal- and plant-based oils and fats.

Renewable fuel tax credits and mandates for biodiesel create an unfair government-driven market advantage to the energy sector and a disadvantage to companies purchasing ingredients for pet food. Tax credits that favor fuel production over food production create market distortions, producing one problem in a heavy-handed attempt to address another. While other industries reap tax credits for their commodities' use in renewable fuel, the feed industry bears the brunt of this disadvantaged domestic supply, facing significant burdens of cost and sourcing for these critical ingredients. Our members have seen notable input price increases we believe are attributable in large part to the competition for grains by both food and fuel producers.

Renewable fuel demand, particularly renewable diesel, has spiked the price for animal- and plant-based oils and fats to two times their current market value, thus drastically increasing the cost of critical ingredients that pet food makers source for the nutrition and palatability of cat and dog food. Pet food makers rely on the essential fatty acids, found in oils and fat, to formulate foods that deliver nutrients that perform key functions in dog and cat immune and visual systems, as well as supporting a healthy skin and coat. Our members' commitment to long and healthy lives for pets means that they rely on access to dozens of animal- and plant-based oil and fat ingredients. This access is threatened by increased competition for animal protein by-products, grains and grain by-products as a result of tax

incentives and mandates.

PFI's members report facing an unprecedented increase in the price of plant-origin ingredients, such as soybean oil, that we believe is attributable to the competition for grains from renewable fuel producers. Our members also reported dwindling access to these ingredients in 2021. While the U.S. historically was able to meet domestic soybean oil needs, our country alarmingly became a net importer of soybean oil in September and October of 2021, and food makers have been forced to import foreign soybean oil, which is more expensive due to heavy tariffs.

Left unchecked, these incentives and drivers for growth of demand for renewable fuels will continue to distort markets for food inputs, effectively making these critical pet food inputs inaccessible for many pet food makers and forcing companies to develop product formulations primarily based more on ingredient access than on ideal complete and balanced formulation considerations.

Now more than ever, it is important to people in the U.S. and around the world to find comfort and companionship with their pets. The human-animal bond is the documented occurrence of a positive connection established between you and your pet, that benefits both of you. In addition to providing companionship, numerous studies have documented the positive effects of the human-animal bond, which provides profound mental, social and physical health benefits for both owners and their companion animals. For example, studies indicate that sharing your life with a dog or cat can help reduce blood pressure and reduce levels of stress, and data indicate that animals can play a role in managing depression.

The last two years have been very challenging, and 2022 will continue to present significant sourcing challenges for pet food makers. Now is not the time to favor the energy sector and disadvantage the feed industry by increasing ingredient costs, risking supply shortages, and adding another layer of stress to pet food makers, pet parents and the pets they love. **PFI respectfully requests that the committee reject tax incentives for biodiesel fuels that use or include animal- and plant-based oils and fats that are historically used in human and pet food.**

On behalf of PFI members, whose nearly 25,000 employees in 32 states provide safe food for the 180 million pets across the U.S., we thank you for the opportunity to share our views.

Sincerely,



Savonne Caughey
Senior Director of Advocacy and Government Relations
Pet Food Institute

SB-2478-SD-1

Submitted on: 2/21/2022 7:54:29 AM

Testimony for WAM on 2/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Rilan Ferreira	Individual	Support	No

Comments:

I support

LATE

SB-2478-SD-1

Submitted on: 2/21/2022 10:04:21 AM

Testimony for WAM on 2/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Andrea Nandoskar	Individual	Oppose	No

Comments:

Oppose

LATE

SB-2478-SD-1

Submitted on: 2/21/2022 11:52:51 AM

Testimony for WAM on 2/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Michael Carion	Individual	Support	No

Comments:

I support this bill.

From: [Jerry Chang](#)
To: [WAM Committee](#); [Dane Wicker](#)
Subject: In support
Date: Monday, February 21, 2022 8:46:08 AM

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Aloha,
I support SB2510, SB 2478, SB2483 and SB 2511.
Mahalo,
Jerry L. Chang
808 286-0461

**JON MIYATA
483 MAKANAA STREET
HILO, HAWAII 96720**

February 21, 2022

To: Senate Ways and Means Committee

Re: Support of SB2478, SB2483, SB2511, and SB2513

I am in favor of the referenced bills as it will provide for a cleaner, safer and more dependable electrical grid utilizing renewable fuels, by providing incentives to various types of renewable energy. This will assist with diversifying our renewable energy sources, leading to cleaner and more reliable power.

Thank you for your consideration of my comments.

Sincerely,

Jon Miyata

From: [sophia_cabral-maikui](#)
To: [WAM Committee](#)
Subject: SB2478
Date: Sunday, February 20, 2022 9:05:09 PM

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Aloha,

Please support SB2478.

Thank you!

Sophia Cabral-Maikui

From: [Alika Maikui Jr](#)
To: [WAM Committee](#)
Subject: SB2478
Date: Sunday, February 20, 2022 8:59:43 PM

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Please support SB2478.

Mahalo.

Alika Maikui Jr.

Sent from my iPhone