

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 976, H.D. 1, Relating to Renewable Fuel

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Wednesday, February 12, 2025

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 976, H.D. 1 for your consideration.

Section 2 of H.B. 976, H.D. 1, establishes a sustainable aviation fuel import tax credit in chapter 235, Hawaii Revised States (HRS). The credit will be \$1 per gallon of sustainable aviation fuel sold for distribution in the State. The credit is to be certified by the Hawaii State Energy Office (HSEO), which is also to administer the aggregate annual cap on credit claims each year. The sustainable aviation fuel import tax credit is generally nonrefundable and may be carried forward. However, taxpayers may elect to reduce the eligible credit amount by 30 percent and if this reduced amount exceeds the amount of income tax payment due from the taxpayer, the credit converts to a refundable credit.

Section 3 of the bill amends the renewable fuels production tax credit in section 235-110.32, HRS, by:

- 1) increasing the credit amount;
- 2) repealing the individual annual cap amount on the claimable renewable fuels production tax credit;

- 3) repealing the requirement that the credit be claimed for fuels with lifecycle emissions below fossil fuels; and
- 4) revising the credit period to be for a maximum period of ten consecutive years beginning from the effective date of this measure; and
- 5) adding an additional credit value amount of \$1 per gallon for low lifecycle emissions renewable fuels and sustainable aviation fuel.

The bill also narrows the definition of “lifecycle greenhouse gas emissions” by deleting carbon offsetting and reduction scheme for international aviation from the methodologies used to calculate attributional core lifecycle greenhouse gas emissions.

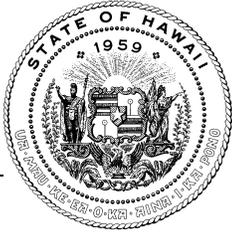
The bill further provides that taxpayers who previously claimed a tax credit under section 235-110.32, HRS, before the effective date of this act may claim another tax credit for taxable years beginning after December 31, 2024.

The bill also amends the aggregate credit cap on the renewable fuels production tax credit by increasing it annually to unspecified amounts for calendar years 2025 to 2029 and after.

This bill has a defective effective date of July 1, 3000 and applies to taxable years beginning after December 31, 2024, provided that Section 2 of the bill, which creates the new sustainable aviation fuel import tax credit, shall be repealed on January 1, 2036.

DOTAX anticipates that a new sustainable aviation fuel import tax credit will require new forms, instructions, and systems changes. To accommodate these changes, DOTAX requests that Section 2 of the bill become effective for taxable years beginning after December 31, 2025. DOTAX also recommends making the sustainable aviation fuel import tax credit nonrefundable, as refundable credits are more susceptible to fraud and abuse.

Thank you for the opportunity to provide comments on this measure.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

(808) 451-6648
energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Wednesday, February 12, 2025
10:00 AM
State Capitol, Conference Room 423 and Videoconference

Providing Comments on
HB 976, HD1

RELATING TO RENEWABLE FUEL.

Chair Ilagan, Vice Chair Hussey, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on HB 976, HD1, that establishes the sustainable aviation fuel import tax credit and increases the renewable fuels production tax credit amount while specifying thresholds and restructuring various provisions.

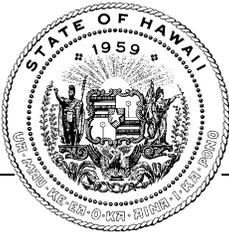
Research conducted by the Hawai'i State Energy Office shows that our state needs more than just solar and wind energy. While these are valuable renewable sources, we must also invest in other clean energy technologies that produce low or zero carbon emissions to meet Hawai'i's complete energy needs.

The current bill proposes additional tax credits for sustainable aviation fuel (SAF) imports and production. The proposed inclusion of SAF is appropriate and would likely be economically sustainable if enacted at the current level of credits. HSEO notes that the proposed structure to increase the renewable fuels tax credit amounts and eliminate the cap must be evaluated on its impact to the state budget, for which HSEO defers to the appropriate fiscal agencies. Additionally, consistent methods for measuring energy production and emissions reductions across different fuel types are needed to manage and verify the credit program properly.

HSEO appreciates how the HD1 maintains the lifecycle emissions requirement and adds a specific 50% emissions reduction threshold this is aligned with safeguards identified in HSEO's 2023 Decarbonization Pathways Report.¹ Such safeguards are necessary to ensure a balanced approach to supporting renewable fuel development in Hawai'i consistent with the renewable portfolio standard and decarbonization statutes.

Thank you for the opportunity to testify.

¹ Hawai'i State Energy Office (2023). Hawai'i Pathways to Decarbonization Report to the 2024 Hawai'i State Legislature Act 238 (SLH 2022). Available at: https://energy.hawaii.gov/wp-content/uploads/2022/10/Act-238_HSEO_Decarbonization_FinalReport_2023.pdf page 12



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii'i 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <https://planning.hawaii.gov/>

Statement of
MARY ALICE EVANS, Director
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
Wednesday, February 12, 2025, 10:00 AM
State Capitol, Conference Room 423

in consideration of
HB 976, HD 1
RELATING TO RENEWABLE FUEL.

Chair Iligan, Vice Chair Hussey, and Members of the House Committee on Economic Development & Technology:

The Office of Planning and Sustainable Development **offers comments** on HB 976, HD 1 which establishes the sustainable aviation fuel import tax credit and increases the renewable fuels production tax credit amount.

The proposed bill introduces tax credits for sustainable aviation fuel (SAF), aligning with the State of Hawai'i's clean energy and decarbonization laws by addressing aviation emissions—one of the largest contributors to greenhouse gases. SAF supports Hawai'i's carbon neutrality goals, diversifies the economy, and strengthens local energy independence.

The Office of Planning and Sustainable Development's (OPSD) [Carbon Offsetting Report](#)¹ emphasizes the limitations and strongly dissuades the state's use or reliance on carbon offset programs. SAF, instead, represents a more impactful approach to reducing greenhouse gas emissions and offering direct and measurable benefits that align with Hawai'i's clean energy and decarbonization goals. By incentivizing the use of SAF in our aviation industry, Hawai'i can take a significant step toward reducing its aviation-related emissions while supporting a more sustainable and resilient energy system.

The OPSD highlights **12** existing statutory requirements (listed below) that focus on increasing local agricultural production, boosting exports, and generating clean, renewable energy for the State of Hawai'i. Meeting these requirements will likely involve utilizing Hawai'i's 1.9 million acres within the State's Agricultural District.

To maximize land efficiency, **the OPSD strongly supports dual-use solar and agrivoltaics, enabling the coexistence of clean energy, local food, and agricultural production.** This aligns with the bill's initiative and the State's sustainability mandates in a comprehensive and integrated manner.

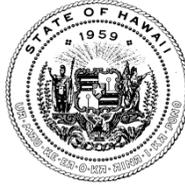
¹ Office of Planning and Sustainable Development. (2019). Feasibility and implications of establishing a carbon offset program for the State of Hawaii: Final report. Office of Planning and Sustainable Development. Retrieved from https://files.hawaii.gov/dbedt/op/sustainability/feasibility_and_implications_of_establishing_a_carbon_offset_program_for_the_state_of_hawaii_finalweb.pdf

- **By 2025:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **10% of total food from local agricultural/processed food sources.** (HRS §27-8)
- **By 2030:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **18% of total food from local agricultural/processed food sources.** (HRS §27-8)
- **By 2030:** Farm-to-School Target – **30% of food** served in public schools must be **locally sourced** (HRS §302A-405.6)
- **By 2030:** Doubling Local Food Target –**Double local food** production and increase local food exports. (Act 151, SLH 2019)
- **By 2030:** Renewable Portfolio Standard (RPS) Target – **40% of electricity generation** must come from renewable sources. (HRS §269-92)
- **By 2035:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **26% of total food from local agricultural/processed food sources.** (HRS §27-8)
- **By 2040:** Renewable Portfolio Standard (RPS) Target – **70% of electricity generation** must come from renewable sources. (HRS §269-92)
- **By 2040:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **34% of total food from local agricultural/processed food sources.** (HRS §27-8)
- **By 2045:** Zero Emissions Clean Economy Target – The state must sequester more carbon than it emits. (HRS §225P-5)
- **By 2045:** Renewable Portfolio Standard (RPS) Target – **100% of electricity generation** must come from renewable sources. (HRS §269-92)
- **By 2045:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **42% of total food from local agricultural/processed food sources.** (HRS §27-8)
- **By 2050:** Farm-to-State Target – DOE, DOH, PSD, DOD, and UH must purchase **50% of total food from local agricultural/processed food sources.** (HRS §27-8)

OPSD defers to the Hawai'i State Energy Office and Department of Taxation on the implementation and management of this tax credit

Mahalo for the opportunity to testify on this measure.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 12, 2025
10:00 A.M.
State Capitol, Room 423

**H.B. 976, HD 1
RELATING TO RENEWABLE FUEL**

Committee on Economic Development and Technology

The Department of Transportation (DOT) **supports the intent** of H.B. 976 HD 1 to increase the use of renewable fuels statewide, and to establish tax credits to promote the expansion of local production of Sustainable Aviation Fuel for the local airline industry.

Sustainable Aviation Fuel (SAF) is an important solution for Hawai'i to reduce Greenhouse Gas (GHG) emissions in the aviation industry. SAF and renewable fuels can reduce lifecycle carbon emissions and are important strategies to accelerate the transition to lower emissions in the transportation sector.

DOT is currently developing a GHG Reduction Plan to provide DOT and the public with immediate actions we can take to reduce GHG emissions, a roadmap for Hawai'i to meet the State's net zero emissions clean energy target no later than 2045, and a long-term plan to reach zero emissions in the transportation sector. Although the specific strategies and benchmarks of DOT's GHG Reduction Plan are still in development, we expect that increased Sustainable Aviation Fuel will be an important strategy of our Plan. From our initial calculations, it does not appear possible to reach the State's ambitious GHG reduction goals without a significant increase in Sustainable Aviation Fuel.

Thank you for the opportunity to provide testimony.



Legislative Testimony of S. Derek Phelps
Committee on Economic Development & Technology
February 12, 2025
H.B. No. 976_HD1 (RELATING TO RENEWABLE FUEL)

A BILL FOR AN ACT relating to a Sustainable Aviation Fuel Import Tax Credit and the Renewable Fuels Production Tax Credit.

Good morning, Chair Ilagan, Vice Chair Hussey, and distinguished members of the Committee. My name is Derek Phelps. I am Head of Policy & Governmental Affairs for Twelve Benefit Corporation (Twelve). It is my pleasure to submit this written testimony on House Bill No. 976, HD1 (as well as its Senate companion, S.B. 995), which, among other things, would establish a sustainable aviation fuel (SAF) import tax credit and increase the amount of the renewable fuels production tax credit. This bill was heard before the Committee on Energy & Environmental Protection on January 28, 2025, where we conveyed our support, and we wish to reiterate our support today.

Founded in 2015 and based in Berkeley, California, Twelve is a high-tech start-up that has developed breakthrough electrochemical technology that transforms CO₂ into hydrocarbon products such as fuels and chemical feedstocks, effectively turning what is typically considered a waste gas into a useful resource.

We are currently focused on the production of SAF, which we refer to as our E-Jet[®]. That is because the airline industry predicts it will need 30 billion liters of SAF per year by 2030.

Twelve has partnerships for the sale of its E-Jet with commercial air carriers,

such as Alaska Airlines, and has completed demonstration projects with the Department of Defense and NASA. I am pleased to report that last year we also announced a 14-year contract with International Airlines Group, the owner of five airlines including British Airways, through which they will purchase 785,000 tonnes of our SAF.

We are currently in the final stages of building our first AirPlant™, a demonstration-scale facility designed to prove the scalability of our technology, in Washington State, and we expect to begin producing SAF at that facility sometime this year.

As mentioned above, on behalf of Twelve, I wish to convey our very strong, unambiguous support for this proposal, which sends a clear signal that Hawaii wants to encourage imports of SAF produced elsewhere and attract innovative clean energy and clean fuel projects and the jobs that these types of projects will bring with them, as well as associated investments in efforts to decarbonize aviation.

I also wish to underscore our strong support for the definition of “sustainable aviation fuel” that would be added to section 235-110.32(o), Hawaii Revised Statutes, and make clear that the term includes fuels derived from “gaseous carbon oxides” (p. 21 of the current bill).

With that said, in the interest of ensuring a cohesive and coherent statutory construct, and keeping in mind that SAF would be expressly identified as a “renewable fuel,” i.e., a fuel produced from renewable feedstocks (page 21, line 10), I once again respectfully suggest and request that the phrase “gaseous carbon oxides” also be added to the section 235-110.32(o) definition of “renewable feedstocks” (pp. 19-20).

Thank you again for the opportunity to speak in favor of this important legislation, which promises to put Hawaii at the forefront of efforts to decarbonize aviation.

TESTIMONY ON HOUSE BILL NO 976 HD1, RELATING TO
THE PRODUCTION TAX CREDIT

Position: **Comments**

To the Honorable Rep. Nicole E. Lowen, Chair; Rep. Amy A. Perruso, Vice Chair; and Members of the Committee:

Please accept these comments on this bill, to amend the renewable fuel production tax credit.

We recommend that the threshold set in subsection a.(1) 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”* be set lower, as it is extremely high. We recommend the threshold be set lower, at one hundred thousand million british thermal units per year (100,000 MMBTU) so that local projects using locally-sourced feedstock can qualify.

It will difficult to impossible to source enough locally grown feedstock or waste material from within the state to meet this threshold to qualify for a single project at this level. To provide an example, our Aloha Carbon project under development in Kapolei is sized to divert 500 tons per day of construction and demolition waste from landfilling in Nanakuli, and will produce about one million Million British Thermal Units (MMBTU) of fuel per year. The threshold starts at a level two and half times larger. To meet the 2.5 BILLION MMBTU threshold, we would have to import feedstock or waste material. Other renewable natural gas projects under development across Hawaii by other firms, to re-use wastewater treatment biogas or landfill gas, are each small but still valuable projects, producing an estimated 100,000 BTUs and up. None of them would qualify for the credit with this threshold, either. That is why we recommend the threshold be set lower, at one hundred thousand million british thermal units per year (100,000 MMBTU) so that local projects using locally-sourced feedstock can qualify.

We appreciate the opportunity to testify on this measure, and urge your support for this bill.

Sincerely,



Marie-Joelle Simonpietri
President

About Simonpietri Enterprises LLC

Simonpietri Enterprises is a Kailua, Hawaii-based woman- and veteran-owned small business with ten employees, focused on technical innovation and first-of-kind project development of emerging clean and renewable technologies. Since founding in 2006, we have helped dozens of small and large industrial companies in Hawaii, the continental U.S., Australia, and Canada improve the environmental and economic sustainability of their operations through technical and business advice in renewable energy conversion, waste reduction and re-use, and greenhouse gas lifecycle impact reduction. Simonpietri Enterprises’ founder and employees have participated in the strategy, planning, design, financing, development, construction, and energy efficiency/greenhouse gas reduction/sustainability renovation for over \$400 million in new renewable and first-of-kind sustainable fuel projects over the

past 15 years. Since launching the Aloha Carbon waste-to-fuel technical development process in August 2020, Simonpietri Enterprises is now developing renewable fuel production facilities in its own right, starting with the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF) in Kapolei, Hawaii to divert wastes generated in Honolulu from landfilling and transform it to renewable fuel, organic fertilizer, and recycled-material building products.

The SMRFF is a small pilot plant, intended to facilitate scaling up to the Aloha Carbon renewable fuel production facility. Aloha Carbon is designed to divert 500 tons per day of waste from landfilling, and convert it to renewable fuels, starting with green hydrogen and renewable natural gas, then expanding to sustainable aviation fuel.

In the 4.5 years since launching our Aloha Carbon technology and project development effort with our first-ever SBIR award from the USDA, we have grown our team from one to ten skilled science and engineering positions, matured our innovations from concept to pilot scale, secured a site in Campbell Industrial Park to be the future home for Aloha Carbon, competed engineering design for the SMRFF plant, and completed a full Environmental Assessment. To develop the SMRFF and Aloha Carbon projects, we embarked on four years of community engagement and input from the West O'ahu community and kumu from Kapolei and 'Ewa Plain to inform the project's siting, scale, scope, and products. We received hundreds of survey responses, conducted several dozen stakeholder interviews, and provided six Neighborhood Board briefings for two-way information flow to inform the community and also have the community inform our projects. We made the Aloha SMRFF's Environmental Assessment available for public input for a full year, in order to ensure full transparency to, and solicit input from, the community. This effort concluded with 100% public comments in support of the project, a unanimous vote of support from the Makakilo-Kapolei Neighborhood Board at their September 2024 meeting, and acceptance of the Environmental Assessment with a Finding of No Significant Impact by the City and County of Honolulu.

**TESTIMONY IN SUPPORT OF HB 976 HD1
RELATING TO RENEWABLE FUEL**

House Committee on Economic Development & Technology
The Honorable Greggor Ilagan, Chair
The Honorable Ikaika Hussey, Vice Chair

Wednesday, February 12, 2025 at 10:00 a.m.
State Capitol, Conference Room 423

Aloha Chair Ilagan, Vice Chair Hussey, and members of the Committee,

Thank you for the opportunity to provide testimony in **SUPPORT** of HB 976 HD1,
Relating to Renewable Fuel.

This bill essentially decreases the cost of low carbon fuels to Hawaiian Electric, Hawaii Gas and other utility and transportation customers including the State of Hawaii. It supports local production of renewable fuels and provides incentives for local farmers to grow energy crops that complement food production and ranching.

Hawaii has made significant progress in decarbonizing our economy over the past 17 years since the Hawaii Clean Energy Initiative launched in 2008. Most of our focus as a state has been on reducing lifecycle Greenhouse Gas (GHG) emission for the utility sector. Yet, there is much work still to be done. transportation emissions account for over 50% of Hawaii's GHG emissions.¹ Using "drop-in" renewable fuels that do not require retrofits to existing combustible energy engines for ground, marine and air transportation can accelerate decarbonization of multiple industry sectors and reduce independence on fossil fuels.

States on the US West Coast have introduced incentives for the use of low carbon fuels. In California, as reported by the California Air Resources Board, over 50% of diesel demand is now met by Renewable Diesel (RD). RD is a low-carbon fuel produced by processing used cooking oil, animal fats and vegetable oils. Similarly, there are small but growing volumes of renewable fuels for the aviation sector. This product is called Sustainable Aviation Fuel (SAF), and it is produced in a similar process and from the same feedstocks as RD.

These liquid renewable fuels are critical to meeting Hawaii's clean energy goals. This was a key finding in the recent Act 238 Hawaii Decarbonization Pathway Study which calls for RD and SAF to be a significant part of Hawaii's fuel supply beginning later this decade. See the chart in Appendix A.

¹ https://health.hawaii.gov/cab/files/2023/05/2005-2018-2019-Inventory_Final-Report_rev2.pdf (Pages 26-27 document Transportation sector emissions of 10.68 MT of CO2 equivalent in the most recent reporting period of 2019. Total net emissions were 19.42 MT CO2 equivalent.)



The good news is that Par Hawaii is already investing over \$90M into its renewable fuel's infrastructure. In the later part of 2025, Par Hawaii will be able to produce 60,000,000 gallons of renewable fuels for our customers to reach their decarbonization goals. Hawaii companies are also stepping up to meet the need for these carbon reducing fuels. However, the cost to produce these fuels is significantly higher than the cost of imported crude oil, and financial incentives are required to initiate and sustain the production of these renewable fuels. These state tax incentives are essential to accelerating the transition for utilities, air, ground, and marine transportation into renewable industry development and market adoption.

Manufactures on the US West Coast have had success in bringing renewable fuels to the market, but it has required state-level financial subsidies of up to \$1.00-2.00 per gallon. Without comparable incentives for renewable fuel production in Hawaii, these desirable renewable fuels will most likely be produced locally but delivered to other markets including the West Coast. However, with these incentives, we hope to bridge the gap with fossil fuels, while passing these savings on to our customers and creating a greater demand for these renewable fuels.

The need for incentives should decrease over time as demand increases and there is a greater economy of scale. We are collaborating with Alaska Airlines & Hawaiian Airlines, Pono Pacific Land Management, Hawaii's largest natural resource conservation company, as well as several of Par Hawaii's utility and transportation customers, and the Hawaii Renewable Fuels Coalition with its broad range of stakeholders.

Similar to goals and pathways that spurred the solar and film industries in Hawaii, we ask for similar consideration to advance renewable fuel production locally in Hawaii. Hawaii has steadily increased its renewable energy portfolio, and incentivizing the growth of local renewable fuel production is critical to accelerating our decarbonization goals. HB 976 HD1 is a deliberate strategy that aligns with the emission reduction targets set by the state.

Mahalo for allowing Par Hawaii to share our comments in support of HB 976 HD1.

Appendix A

Act 238 Hawaii Decarbonization Pathway Study

- December 2023 Act 238 Pathways to Decarbonization Study modeled 3 scenarios
- **Study finds that renewable liquid fuels are critical to Hawaii reaching it's decarbonization goals**
- Recommends an expansion of renewable fuels production tax credit

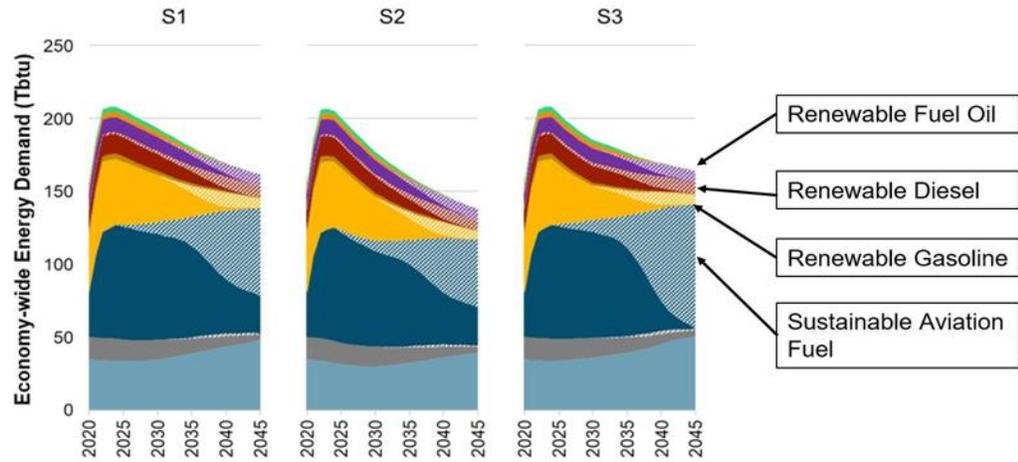


Figure 54 Economywide energy demand from 2020 through 2045 (excludes fuels combusted for electricity generation)



TESTIMONY ON HOUSE BILL NO 976 HD1, RELATING TO
THE PRODUCTION TAX CREDIT

Position: **Support with Comments**

To the Honorable Rep. Greggor Ilagan, Chair; Rep. Ikaika Hussey, Vice Chair; and Members of the Committee:

Please accept this testimony and comments on this bill to amend the renewable fuel production tax credit.

Comments: Support the intent to incentivize local production of renewable fuels, and recommend changes to include more small local producers to the existing statute.

We concur with the Hawaiian Airlines and Hawaii Renewable Fuels Coalition's recommendations, to:

- 1) Strike the imported fuel tax credit language from the bill in entirety;
- 2) Change the tax credit from first-come, first-served to an annual cap with proportional allocation among qualifying producers (subsection (f));
- 3) Add "construction and demolition debris" to the "Renewable Feedstock" definition (8) for solid fuels in section (o): "(8) Municipal solid wastes [and], industrial wastes[;], and construction and demolition wastes;"

In addition, we recommend the following changes to HD1:

- 1) **Reduce the minimum production threshold** set in Section 235-110.32 subsection a.(1): *"The taxpayer's production of renewable fuels is not less than ~~two billion five hundred one hundred thousand~~ million British thermal units (100,000 MMBTU) of renewable fuels per calendar year."* The threshold currently in the statute is extremely high. For example, several local renewable fuel projects trying to make renewable natural gas fuel from wastewater treatment biogas and landfill gas, do not qualify.
- 2) **Add renewable natural gas** to "Renewable Fuels" definition (D) in section (o). (So that it reads *"(D) Biogas or renewable natural gas;"*)
- 3) **Reduce the amount of credit that can be claimed by a single taxpayer** in subsection (f) from a supermajority of 75% to a more equitable level: *"No taxpayer shall be eligible for more than ~~seventy-five~~ fifty per cent of the total amount allowed in any year."*
- 4) **Keep the credit period at 10 years from start of production OR from enactment** in section (o): *"Credit period" means a maximum period of ten consecutive years, beginning from [the first taxable year in which a taxpayer begins renewable fuels production at a level of ~~two billion five hundred million British thermal units one hundred thousand million British thermal units~~ of renewable fuels per calendar year, or from the effective date of this Act for producers already in production on Dec 31st, 2024.* As currently drafted in HD1, the language removes a significant benefit of the policy, which was a predictable 10 years as incentive to invest in new production, and replaces it with a subsidy for existing producers who have already made their capital investments.

Testimony: Introducing the Aloha Carbon team and project

Aloha Carbon is the name of our technology and project to divert construction and demolition debris from landfilling in Nanakuli, O`ahu, and convert it to renewable fuel for use on O`ahu. It was founded in August 2020 by Simonpietri Enterprises LLC, **by kama`aina, in Hawai`i and for Hawai`i**, to come up with a way to solve the multiple burdens we saw: of hauling and landfilling waste on the West O`ahu community; of high costs and high pollution of imported fossil fuels, building materials, and fertilizer for



Hawai'i residents, housing, businesses, and farms; of climate change and sea level rise; and lack of high-paying employment for local residents, forcing people to work two and three jobs just to make ends meet. Our intention is to do everything we can to recirculate carbon through our lives, rather than the traditional one-way trip of taking it out of the earth, burning it, and then disposing it into the air.

Four years later, we are pleased and proud to share multiple successes in our long road from concept to production:

- 1) Patented Innovations to safely sequester toxins from construction and demolition waste: Our innovations to convert construction and demolition debris to fuel and safely manage the heavy metals like arsenic and other toxins from the treated and painted lumber, are now patented under **U.S. patent 12,157,863** issued in December 2024. These innovations are **described in detail and publicly available** on the U.S. Patent and Trademark office website.
- 2) Rigorous environmental review: Over 1000 pages of environmental risk and review, project siting, process description, test results, and waste profiles are publicly available in the Environmental Assessment for the first phase of our Aloha Carbon process, for the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF). **We went above and beyond the required 30-day public notice period**, and made the full EA available on our company website **for a full year** starting in January 2024. It has been published on the State of Hawaii Environmental Register since September 2024. We received many comments from community members, local businesses, and state and federal agencies: **100% of comments were in support and there was no testimony in opposition**. The U.S. federal National Environmental Policy Act (NEPA) review of the project was completed with a **Finding of No Significant Impact** by the USDA in May 2024.
- 3) Strong community engagement and support: To develop the SMRFF and Aloha Carbon projects, we embarked on **four years of community engagement and input** from the West O'ahu community, as well as consulting with *kumu* specializing in cultural history of Kapolei and 'Ewa Plain, to inform the project's siting, scale, scope, and products. We asked for and received hundreds of survey responses, conducted several dozen stakeholder interviews, and provided half a dozen Neighborhood Board briefings. This was to ensure two-way information flow to inform the community, and also have the community inform our projects. As evidence of this deep, iterative, and participatory community engagement, **we attach the letter of support from the Makakilo-Kapolei Neighborhood Board** for our Environmental Assessment, so that you have it in their own words. These hearings, briefings, testimony, and votes are also publicly available on the City and County of Honolulu website, and 'Olelo TV. Our process was cited as a best practice, and is now itself published in the peer-reviewed journal [Frontiers in Sustainable Cities](#).
- 4) Enthusiastic use of the waste "reduce, re-use, recycle" hierarchy: Our SMRFF project includes a \$5 million waste sorting facility to sort construction and demolition debris, and **separate out the recyclable and re-usable furniture, fixtures, concrete, rock, dirt, drywall, etc and make new building materials, organic fertilizer, green sand**, and other recycled-material products. The unusable organic material: treated, painted, glued, and fire-retardant wood, fabric, cardboard etc., that cannot be recycled, are the feedstock for our renewable fuel and energy production. Aloha Carbon will also produce thousands of tons of food-grade biogenic carbon dioxide per year that can be used for health care, beverages, industrial sandblasting, and electrofuels production.
- 5) Non-hazardous air, water, and ash emissions from our process: Our patented process is backed by four years and over 300 hours of physical testing on entire truckloads of real construction and demolition waste generated on O'ahu, in fully permitted and integrated systems, from waste truckload tipping inflow, to green hydrogen and renewable gas production out flow. This work was **funded** in part by a contract from the **U.S. Environmental Protection Agency**, which is also publicly accessible information.



A truckload of construction and demolition debris waste dropped in Kapolei for tests of sorting into recyclable and unrecyclable components, December 2022



Community members providing input on the Aloha Carbon project at the Nanakuli Night Market, September 2023



Simonpietri Enterprises's Aloha Carbon team members preparing for hydrogen production trial on Honolulu construction and demolition debris, November 2023

We appreciate the opportunity to testify on this measure.

Sincerely,



Marie-Joelle Simonpietri
Founder
Aloha Carbon



MAKAKILO/KAPOLEI/HONOKAI HALE NEIGHBORHOOD BOARD NO. 34

c/o NEIGHBORHOOD COMMISSION • 925 DILLINGHAM BLVD SUITE
160 • HONOLULU, HAWAII, 96817
PHONE (808) 768-3710 • FAX (808) 768-3711 • INTERNET:
<http://www.honolulu.gov>

October 9, 2024

Ms. Mary Alice Evans, Director
State of Hawai'i
Office of Planning and Sustainable Development
Environmental Review Program
235 South Beretania Street, Suite 702
Honolulu, Hawai'i 96813

Re: Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF)

Aloha Director Evans:

The Makakilo/Kapolei/Honokai Hale Neighborhood Board No. 34 formally expresses its support for the Aloha Sustainable Materials Recycling and Fertilizer Facility (SMRFF), located at 91-027 Kaomi Loop in Kapolei (TMKs 5-7-003:037 and 038) within the 'Ewa District of O'ahu. This facility is within our Neighborhood Board jurisdiction. Concerns raised by board members and community residents have been thoroughly addressed by the facility's representatives, who have regularly attended our meetings and provided updates on the project's status. This decision was made during our regular meeting on September 25, 2024, with a unanimous vote of seven (7) in favor, no opposition, and no abstentions, and there was no public testimony opposing the project.

Mahalo for your kind consideration of our position.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Makana Paris".

Anthony Makana Paris
Chair

cc: Department of Environmental Services
Simonpietri Enterprises LLC





PO Box 1459
Kahului, Hawaii 96733
Phone (808) 877-3144
Fax (808) 877-5030
www.biodiesel.com

Testimony in Support of HB 976

ECD Hearing February 12, 2025 at 10:00am

Chair Ilagan, Vice Chair Hussey, Committee Members:

As a pioneer in the biofuels industry and long time producer of biodiesel in Hawaii, Pacific Biodiesel supports HB 976 with the amendments proposed by the Hawaii Renewable Fuels Coalition. Energy and food security are dire needs for the resiliency of our state, and this measure supports our efforts in both areas, while also helping us create jobs and environmental sustainability.

We have an opportunity to bring much of Hawaii's fallow land back into useful production which also has proven to help with fire prevention, even as recently as a few months ago on Kauai! HB 967, as amended, will support quality jobs both on and off the farm, reduce greenhouse gas emissions, and mitigate wildfire risk. This bill is an important step to increase investment in local production of renewable fuel and regenerative agriculture products and advances our circular economy.

I plan to attend the hearing in person and will be happy to respond to any questions or concerns the committee may have.

Mahalo,

Bob King, President
Pacific Biodiesel Technologies

HB-976-HD-1

Submitted on: 2/11/2025 12:47:20 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Hayashi	Japan Airlines	Support	Written Testimony Only

Comments:

Dear Chair Greggor Ilagan and Members of the Committee,

I am writing on behalf of Japan Airlines to express our strong support for HB976. This legislation is crucial for the future of Hawaii's economy, energy security, environmental sustainability, and agricultural sector. I urge you to pass this bill for the following reasons:

Boosts Hawai'i's Economy

HB976 will support local businesses and create good-paying jobs in the renewable fuels sector. By keeping more energy dollars within our state, we can stimulate economic growth and ensure a more prosperous future for all residents of Hawaii.

Strengthens Energy Security

Expanding the availability of local renewable fuels will complement our existing energy sources and enhance long-term stability. This diversification is essential for reducing our dependence on imported fossil fuels and increasing our resilience against global energy market fluctuations.

Encourages Investment & Innovation

Passing HB976 will signal strong state support for clean energy, attracting private investment and fostering innovation in renewable fuel technologies. This will position Hawaii as a leader in the renewable energy sector and drive advancements that benefit both our state and the broader global community.

Cuts Greenhouse Gas Emissions

The adoption of renewable fuels will significantly reduce carbon pollution from transportation and power generation. This is a critical step in helping Hawaii meet its climate goals and protect our environment for future generations.

Supports Local Agriculture

HB976 provides opportunities for Hawaii farmers to participate in the growing biofuels industry, diversifying our agricultural economy. This will not only support local agriculture but also contribute to the overall sustainability and self-sufficiency of our state.

In conclusion, HB976 represents a comprehensive approach to addressing some of the most pressing challenges facing Hawaii today. We respectfully urge you to support this bill and help pave the way for a cleaner, more secure, and economically vibrant future for our state.

Thank you for your consideration.

Sincerely,

Mike Hayashi



**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY**

**HB 976 HD1
Relating to Renewable Fuel**

February 12, 2025
10:00 AM
State Capitol, Conference Room 423

Nicholas O. Paslay
Director, Power Supply Fuels Division
Hawaiian Electric

Dear Chair Ilagan, Vice Chair Hussey and Members of the Committee,

My name is Nicholas O. Paslay, Director of Power Supply Fuels Division for Hawaiian Electric testifying in **support** of HB 976 HD1, Relating to Transportation. As we work together, with others toward meeting the State's Renewable Portfolio Standard of 100% renewable energy by 2045, it is important that all sectors be a part of achieving this goal. HB 976, HD1 presents a prime opportunity for the energy and aviation sectors to play a part in reaching the state's energy goals, particularly because of Hawaii's dependence on air travel.

Hawaiian Electric is committed to exploring and using renewable fuels in its existing and planned generating units. The use of renewable fuels can reduce the State's dependence on imported oil and increase the amount of renewable energy from sustainable resources. Hawaiian Electric's commitment is demonstrated by the following initiatives:

- 2009: Construction of a 120 MW power plant at Campbell Industrial Park that operated with 100% biofuel until 2018;

- 2011: Initiated using biodiesel in its diesel engines and combustion turbine at Maui Electric Company's Ma`alaea power plant;
- 2011: Tested biofuel co-firing at the Kahe 3 boiler and steam turbine generator;
- 2011: Built a 50 MW power plant at Schofield that continues to operate primarily with a renewable fuel.

HB 976, HD1 will further incentivize clean energy production by lowering the cost of renewable fuels and preparing for future development of large scale renewable fuel initiatives. Lower cost "renewable fuels" directly supports the State of Hawaii and Hawaiian Electric's shared goal of providing cost effective, 100% renewable energy by 2045.

In conclusion, Hawaiian Electric supports HB 976, HD1 to stimulate renewable fuel development in the State. Thank you for this opportunity to testify. Please pass HB 976, HD1.



HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

FEBRUARY 12, 2025

HB 976, HD1, RELATING TO RENEWABLE FUEL

POSITION: SUPPORT WITH AMENDMENTS

Coalition Earth **supports and suggests amendments** for HB 976, HD1, relating to renewable fuel, which establishes a sustainable aviation fuel import income tax credit until 1/1/2036; amends the renewable fuels production tax credit by: increasing the tax credit rate; repealing the cap on claimable credits per taxpayer per taxable year and increasing the cap on total claimable credits for all eligible taxpayers per calendar year; specifying that the credit may be claimed for fuels with lifecycle greenhouse gas emissions and product transportation emissions below certain thresholds; adding credit values for low lifecycle emissions renewable fuels and sustainable aviation fuels produced; allowing a taxpayer who previously claimed a credit to claim another one for taxable years beginning after 12/31/2024; amending the credit period to be for a maximum period of ten consecutive years beginning from the effective date of this Act; and amending the required information in the certified statement.

According to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more recent projections showing this occurring as early as 2060. In turn, over the next 30 to 70 years, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding. Additionally, an estimated \$19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring.

As we work to reduce carbon emissions and stave off the worst consequences of climate change, we must begin preparing for the adverse impact of sea level rise on our shores. We are now quantifying the speed at which we must act. We cannot continue to develop the 25,800-

acre statewide sea level rise exposure area—one-third of which is designated for urban use—without risking massive structural damage and, potentially, great loss of life.

Just two years ago, we witnessed the impact of the climate emergency on our shores. On August 8, 2023, wildfires swept across Maui and killed at least 100 people, making it one of the nation's deadliest natural disasters. The spread of the fires has been attributed to climate change conditions, such as unusually dry landscapes and the confluence of a strong high-pressure system to the north and Hurricane Dora to the south. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly \$5.5 billion. Investing in renewable energy generation could not be more urgent, given the growing threat of climate catastrophes to our island home.

Therefore, **our state should take steps to accelerate our transition to a clean energy economy and continue our fight against climate change, including by incentivizing the use of sustainable aviation fuel.** This is especially important in light of the islands' carbon-intensive visitor industry. In 2019, for example, Civil Beat reported that flights to and from Hawai'i from all over the world produced approximately 6.3 million tons of carbon, which is the equivalent of the CO₂ produced by generating electricity for almost 1.1 million homes in a year.

As an island state that is heavily reliant on air transportation and a robust tourist economy, we need to take action to ensure that air travel related to our state aligns with our goal of reducing our economy's carbon footprint. Jet fuel consumption for the islands is 17 million barrels—or 740 million gallons—per year between civilian and military consumption. To reduce our reliance on fossil fuels, we should seize the opportunity to invest in local sustainable fuel production, which can be derived from both plant and animal materials, ranging from cooking oil and plant oils to agricultural residues as well as municipal waste and waste gases.

That said, we urge your committee to amend this bill by including requirements for the use of sustainable aviation fuel for all intrastate flights, as outlined in HB 1459. Specifically, we would like to see the following language added to this bill: **“Beginning January 1, 2030, any commercial airline operating intrastate airline flights in the State shall utilize at least ten per cent of sustainable aviation fuel in their intrastate airline flights operated in the State.”** While we recognize that the cost of producing sustainable aviation fuel is currently higher than the cost of conventional fuels, we believe that the long-term benefit of transitioning to a clean economy outweighs the price of continuing a carbon-intensive business model. Moreover, while we support industrial incentives that buttress positive environmental outcomes, we philosophically believe that such incentives should be coupled with mandates that ensure commercial entities will take actions that are attuned to our state's overall climate resilience goals.

Coalition Earth is a nongovernmental organization that works to preserve the well-being of people and our planet. We champion policies that advance climate resilience, clean energy, public health, and economic fairness for working families. Contact us at info@coalitionearth.org.



February 11, 2025

**TESTIMONY IN SUPPORT OF HB 976 HD 1
RELATING TO RENEWABLE FUEL**

House Committee on Economic Development and Technology (ECD)
The Honorable Greggor Ilagan, Chair
The Honorable Ikaika Hussey, Vice Chair

February 12, 2025, 10:00am
Conference Room 423
State Capitol 415 South Beretania Street

Chair Iligan and Vice Chair Hussey, and members of the Committee,

Thank you for the opportunity to provide testimony in **STRONG SUPPORT** of HB 976 HD 1, Relating to Renewable Fuels. We believe that the proposed legislation presents a unique opportunity to make a positive impact on our state, our environment, and our agricultural sector.

Pono Pacific is Hawai'i's first and largest private natural resource conservation company providing land management, restoration services, sustainable agricultural development, renewable energy, and eco-asset development for large and small-scale projects throughout the state. Pono Pacific's expertise creates a more resilient future by promoting industries that activate working lands, increase food security and community engagement, and protect natural resources. Since 2023, Pono Pacific has partnered with Par Hawaii to develop a consistent supply of feedstocks for biofuel production across the state. Locally grown feedstocks will provide farmers with a viable economic commodity to supply the refinery and help stimulate growth in the agricultural economy. HB 976 HD 1 includes a calculation for low-emission renewable fuels, which is intended to spur economic activity in the agricultural sector, while not excluding out-of-state companies from participating. This will help Hawaii farmers by providing an additional credit of \$1 per gallon for low lifecycle emissions renewable fuels, which can be produced from locally grown renewable feedstocks.

Over the past year and a half, Pono Pacific has partnered with two of Hawaii's largest food producers, Mahi Pono and Aloun Farms, as well as Meadow Gold Dairies Hawaii, to advance



oil crop feedstock cultivation by growing *Camelina sativa* (Camelina) at sites on Hawaii Island, Maui, Oahu and Kauai. Additionally, Camelina variety trials have been conducted in partnership with the Hawaii Agricultural Research Center (HARC). Camelina is of specific interest due to environmental co-benefits identified in planting, and coproducts generated that stabilize local food systems (e.g. seed cake used for animal feed, and crop residue used for soil amendments). The results from these crop trials have been very encouraging, both in the yield per acre produced, as well as the enthusiastic reaction from farmers and ranchers.

Finding viable uses for agriculture lands that will encourage sustainability in our environment and that produce positive economic cash flow for Hawaii is a critical need. Locally grown biofuel feedstocks offer significant benefits for our farmers. These crops can thrive in rotation with food production or on marginal land, improving soil health and reducing erosion. They require less water and fertilizer than traditional row crops. By creating a demand for these crops, the renewable fuels industry can revitalize rural communities, create new jobs, and diversify farm income streams.

Par Hawaii has publicly committed to spending significant capital, approximately \$100M, retrofitting its Kapolei refinery to produce liquid renewable fuels, including Sustainable Aviation Fuel (SAF). Transitioning to SAF, derived from renewable sources like energy crops, presents a crucial step towards decarbonizing air travel. SAF can bring meaningful reductions in aviation carbon emissions, with lifecycle emissions up to 50 to 80% lower than conventional jet fuel. Investing in local SAF production is not just economically sound, it's an environmental imperative.

Hawaii needs to be competitive with other states that have already adopted tax credits for liquid renewable fuels and provide local production and consumption with the necessary advantages to succeed, especially as the industry is just starting to get off the ground. Initially to be competitive, local SAF production will need government support.

Growing biofuel feedstocks locally helps to create new agricultural jobs, encourage food production through infrastructure synergies, and does not compete with food crops when using oil seed cover crops. Pono Pacific believes these feedstocks will be able to provide a quality biofuel product and usable byproducts to help support Hawaii's sustainability goals, and agricultural, ranching and dairy sectors of the local economy.



The production and distribution of liquid renewable fuels, including SAF, is not just about farms; it is about building a robust green energy infrastructure within our state. From biofuel refineries to logistics companies, the entire chain creates high-paying jobs, attracts investment, and boosts Hawaii's overall economic output. Investing in local SAF production positions us as a leader in the growing clean aviation fuel market, attracting further investment and innovation.

Renewable fuels face a financial hurdle and cost more to produce than conventional alternatives. This bill proposes a strategic set of tax incentives tailored to incentivize local renewable fuel production and imports of renewable fuels into Hawaii. These incentives will empower us to cultivate energy independence, foster economic growth, and create a sustainable future for our islands. Incentives and credits, therefore, are not a perpetual need but a bridge to get biofuel production to maturity and scale when it can compete successfully against traditional petroleum-based fuels.

The proposed tax incentives for local renewable fuel production are not just an economic stimulus package; they represent a strategic investment in Hawaii's future. By supporting our farmers, fostering clean energy innovation, and building a more sustainable aviation industry, we can secure a brighter future for generations to come.

We urge you to pass this legislation and unlock the immense potential of locally produced liquid renewable fuel. Together, we can build a cleaner, more prosperous future for all. Thank you for your time and consideration.

Mahalo,

Chris Bennett
Vice President of Sustainable Energy Solutions
Pono Pacific Land Management, LLC

(See photos on next page)



Camelina flowering on Oahu



Camelina seed pods on Maui



Camelina field on Kauai



Camelina field on Kauai



HB-976-HD-1

Submitted on: 2/10/2025 5:17:42 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
David Hunt	Individual	Oppose	Written Testimony Only

Comments:

Reject HB 976 !

HB976 proponents have attempted to make it appear that this bill is largely about growing camelina in the state to make biofuels.

However, testimony on the senate companion bill made it obvious that there is NOT available land or water to make this possible and that most of the subsidies for biofuels from crops would flow to the oil refinery and to out-of-state suppliers.

Our Ag lands should be used first to feed people, not planes.

The biotechnology industry's trade association comments in favor of these bills, but does not explain why they're siding with genetically modified crops and all of the poisonous substances required to grow them.

The bill would promote turning construction and demolition (C&D) waste, and "biomass" into liquid fuels to burn in airplanes.

This is FILTHY fuel that would support toxic projects like Aloha Carbon (seeking permits to gasify C&D waste in Campbell Industrial Park in Kapolei) and Yummet (also aiming to process C&D and other biomass and wastes, largely targeting Big Island and Maui). YUMMET has sold Hawaii county a load of untested unproven, self-promoting BS / and they are not trusted by local residents.

The Companion Senatd Bill was REJECTED. This bill should also be firmly, unanimously rejected.

HB-976-HD-1

Submitted on: 2/10/2025 6:12:11 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Tamra Hayden	Individual	Oppose	Written Testimony Only

Comments:

I oppose this bill. The fuel is dirty and would support toxic projects like Aloha Carbon (seeking permits to gasify C&D waste in Campbell Industrial Park in Kapolei) and Yummet (also aiming to process C&D and other biomass and wastes, largely targeting Big Island and Maui)

Testimony on the senate bill made it obvious that there is not available land or water to make this possible and that most of the subsidies for biofuels from crops would flow to the oil refinery and to out-of-state suppliers. Agricultural land should be used first to feed people, not planes. It's also curious that the biotechnology industry's trade association regularly comments in favor of these bills, but does not explain why they're so interested in polluting agriculture with genetically modified crops, enzymes, or bo

Please do not pass the bill. The statements made by proponents are not accurate and need to be assessed.

HB-976-HD-1

Submitted on: 2/10/2025 7:50:09 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Koohan Paik	Individual	Oppose	Written Testimony Only

Comments:

Aloha Honorable Representatives,

I strongly oppose the use of our precious limited lands to be used for chemical agriculture to for aviation fuel.

AINA FOR PEOPLE, NOT FOR PLANES!

Mahalo,

Koohan Paik-Mander

HB-976-HD-1

Submitted on: 2/10/2025 7:59:23 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jim Scancella	Individual	Oppose	Written Testimony Only

Comments:

Making fuel out of toxic construction and demolition waste is NOT sustainable. Liquefying our crops and trees isn't, either. Please oppose this bill.

HB-976-HD-1

Submitted on: 2/10/2025 8:23:41 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Briana Rodrique	Individual	Oppose	Written Testimony Only

Comments:

Aloha kākou,

Please oppose this bill. It is not an example of the sustainability we are trying to prioritize as a state.

Mahalo,

Briana Rodrique

Pana‘ewa, Hawai‘i

HB-976-HD-1

Submitted on: 2/10/2025 9:40:32 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mary True	Individual	Oppose	Written Testimony Only

Comments:

If you are going to force the tax payers to subsidize something, please let us subsidize clean, renewable energy, not bogus greenwashed, unsustainable aviation fuel. I strongly oppose HB976 HD1.

Thanks for your consideration, Mary True

TESTIMONY IN SUPPORT OF HB 976 HD1 RELATING TO RENEWABLE FUEL

Aloha Chair Greggor Ilagan, Vice Chair Ikaika Hussey, and Members of the House Committee on Economic Development & Technology,

My name is Nahelani Parsons, and I am the Executive Director of the Hawai'i Renewable Fuels Coalition (HRFC). Mahalo for the opportunity to testify in **SUPPORT** of HB 976 HD1 with proposed amendments attached. This measure represents a critical step in advancing our clean energy and sustainability goals, particularly as we strive to reach **100% renewable energy by 2045**.

The HRFC is a diverse alliance of stakeholders working to achieve renewable energy goals for Hawai'i. Our founding members include:

- **Hawaiian/Alaska Airlines:** Leaders in adopting Sustainable Aviation Fuel (SAF) to decarbonize the aviation sector.
- **Pono Pacific:** Hawai'i's largest natural resource conservation company, advancing oil crop feedstock cultivation to support renewable fuel production.
- **Par Hawai'i:** The state's largest energy supplier, investing over \$90 million in renewable fuel production technology to strengthen energy security and sustainability.

In addition to these partners, HRFC collaborates with:

Pacific Biodiesel, a local producer of biodiesel. The Hawai'i Farm Bureau, representing 1,800 farm families statewide to support renewable feedstock cultivation and enhance food and energy security. Ranchers, dairy farmers, and conservationists, such as Meadow Gold and Haleakalā Ranch, who are contributing to Hawai'i's resilience and self-sufficiency. Airlines for America, which advocates for SAF adoption nationwide to reduce aviation emissions.

Hawai'i Renewable Fuels Coalition members in alphabetical order:

Airlines for America	Alaska Airlines	Haleakala Ranch
Hawaii Farm Bureau	Hawaii Fueling Facilities Corp	Hawaiian Airlines
Hawaiian Electric	ITOCHU Corporation	Japan Airlines
Kuilima Farm	Meadow Gold Hawaii	Pacific Biodiesel
Par Hawaii	Pono Pacific	United Steelworkers

Hawai'i's Renewable Energy Goals & The Role of Renewable Fuels

Hawai'i has made considerable progress under the Hawai'i Clean Energy Initiative, but key challenges remain, particularly in firm energy generation and transportation, which includes aviation and marine fuels. **HB 976 HD1** directly supports the state's clean energy transition by:

- **Providing firm renewable energy** to help meet the state's 100% renewable energy target by 2045.
- **Enhancing grid reliability**, as liquid renewable fuels complement intermittent solar and wind energy sources.
- **Reducing transportation emissions**, including in aviation, shipping, and public fleets.

With Par Hawai'i's \$90 million investment in renewable fuel production, we have a clear opportunity to accelerate these efforts. Their facility will produce renewable fuels that can:

- Get Kaua'i and Moloka'i to 100% renewable energy by 2026.
- Provide firm renewable energy for Maui and Hawai'i Island.
- Reduce the carbon intensity of Hawai'i Gas' synthetic natural gas.
- Provide low carbon Sustainable Aviation Fuel to airlines in Hawai'i.
- Supply renewable diesel for ground transport and the maritime industry.

However, to remain competitive with West Coast states, Hawai'i must offer strong incentives to support renewable fuel production and adoption. Without these policies, renewable fuels will remain economically unviable compared to fossil fuels, slowing progress toward our clean energy mandates.

Proposed Amendments to HB 976 HD1

HRFC has collaborated with stakeholders to refine the bill and ensure it remains fiscally responsible, effective, and focused on local economic development. We respectfully request the adoption of the following amendments:

1. **Removing the sustainable aviation fuel import tax credit** to focus the bill on the renewable fuels production tax credit, which drives local economic development.
2. **Maintaining the current \$20 million aggregate cap** on the renewable fuels production tax credit, rather than increasing it, to ensure full utilization of existing funding.
3. **Updating the list of eligible feedstocks and refining the SAF definition** to eliminate overlap and clarify alignment with industry standards.

These amendments ensure HB 976 HD1 remains a strong, targeted policy that accelerates Hawai'i's clean energy transition while maximizing economic benefits for local businesses and workers.

Transitioning to renewable fuels is not just an environmental imperative but an economic and strategic necessity for Hawai'i. Liquid renewable fuels complement intermittent renewable energy sources, enhancing grid reliability and diversifying our energy portfolio.

Key Highlights of HB 976 HD1

- **Renewable Fuels Production Tax Credit:** Incentivizes locally produced renewable fuels like SAF, renewable diesel, biodiesel, and renewable naphtha.
- **Maintains Fiscal Responsibility:** Preserves the existing \$20 million aggregate cap, ensuring budget neutrality.
- **Boosts Hawai'i's Economy:** Supports local businesses and creates good-paying jobs in the renewable fuels sector, keeping more energy dollars in our state.
- **Additional Support for SAF:** Provides higher credit value for SAF to account for its higher production cost and its substantial potential to reduce emissions in aviation. SAF is a drop-in fuel compatible with existing aircraft and infrastructure, making it a viable near-term solution. As the U.S. airline industry works toward making 3 billion gallons of cost-competitive SAF available by 2030, Hawai'i must provide competitive incentives to attract investment and scale production.
- **Strengthens Energy Security:** Liquid renewable fuels provide firm energy, ensuring grid reliability as we move away from fossil fuels, while also expanding the availability of local renewable fuels to complement existing energy sources and enhance long-term stability.
- **Encourages Investment & Innovation:** Signals strong state support for clean energy, attracting private investment and fostering innovation in renewable fuel technologies.
- **Support for Hawai'i's Farmers:** Provides opportunities for Hawai'i farmers to participate in the growing biofuels industry, diversifying our agricultural economy.

Why Incentives Matter

Hawai'i must remain competitive with states like California, Oregon, and Washington, which offer financial incentives to make renewable fuels cost-effective. Renewable diesel can be 2–5 times higher cost than fossil fuels. The updates to our existing renewable fuel tax credit help to bridge the gap to incentivize the industry to grow and scale. Without similar support, Hawai'i risks:

- Limited renewable fuel adoption, prolonging reliance on fossil fuels.
- Missed investment opportunities, as producers prioritize regions with better incentives.

- Higher costs for businesses and consumers, making clean energy transition more expensive and difficult.

Clean Energy Future for Hawai'i

Transitioning to renewable fuels is not just an environmental imperative, but it is an economic and strategic necessity. **HB 976 HD1** is a critical policy that will:

- ✓ Accelerate Hawai'i's progress toward 100% renewable energy by 2045.
- ✓ Strengthen energy security and independence by diversifying fuel sources.
- ✓ Create new opportunities for Hawai'i's farmers and agricultural sector.
- ✓ Reduce emissions in aviation, maritime, and ground transportation sectors.

Investing in renewable fuels is an investment for our future. This bill will ensure we lead the nation in clean energy innovation while fostering a sustainable, resilient economy.

We are respectfully asking this committee to adopt the attached amendments which have been developed in collaboration with our stakeholders. Mahalo for your time, consideration, and support to secure a cleaner, more sustainable future for generations to come.

Nahelani Parsons

Executive Director

Hawai'i Renewable Fuels Coalition

**Hawai'i Renewable Fuels Coalition Proposed Edits
HB976 HD1**

- 1. Remove the import tax credit section:**
 - Delete from page 4, line 9, through to page 11, line 19.
- 2. Remove the increases to the aggregate cap** for the production credit so the fiscal ask remains at what is already in statute (\$20M).
 - Page 16, line 8, reinsert \$20M
 - Delete on page 16, lines 10-14.
- 3. Updated renewable feedstock, renewable fuel, and SAF definition for clarity:**
 - Add the following to page 20, after line 14:
 - “(12) Biogas or renewable natural gas
 - (13) gaseous carbon dioxide; and
 - (14) renewable or zero carbon energy resources,”
 - Add to page 20, after line 18, insert:
 - (2) Meets the: Lifecycle greenhouse gas emissions reduction threshold”
 - Delete page 21, lines 17-19 because these are listed under feedstocks shown in the above definition.
- 4. Update the preamble section to reflect the changes.**

THIRTY-THIRD LEGISLATURE,
2025

STATE OF HAWAII

A BILL FOR AN ACT Relating to renewable fuel.

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

SECTION 1. The legislature finds that Hawaii is at a critical crossroad in the State's ongoing quest to reduce greenhouse gas emissions. In 2021, Hawaii became the first state in the nation to declare a climate emergency and is now poised to lead by example in mitigating the impacts of climate change through adaptive and preemptive actions to transition toward a multi-sector decarbonized economy. This is aligned with the ambitious Hawaii clean energy initiative, which seeks to achieve the nation's first-ever one hundred per cent renewable portfolio standards by the year 2045. The legislature acknowledged the necessity to analyze pathways and develop recommendations to achieve economy-wide decarbonization goals by adopting Act 238, Sessions Laws of Hawaii 2022.

The legislature additionally finds that the State has made progress in reducing greenhouse gas pathways by adopting alternatives to fossil fuel for electrical power generation and introducing alternatives for ground transportation, including the use of electric vehicles. Additionally, sustainable aviation fuel for air transportation is another pathway that deserves more robust exploration. Hawaii has the opportunity to accelerate its progress toward achieving net-zero or net-negative targets as quickly as practicable, but no later than

2045. As an island state heavily reliant on air transportation, it is important to provide incentives within the airline industry to encourage practices that lower carbon footprints.

The legislature acknowledges that total jet fuel consumption in Hawaii is seventeen million barrels (seven hundred fourteen million gallons) per year between civilian and military consumption. To provide greater energy security for the State, the legislature finds that instead of investing in imported crude oil or refined petroleum products and perpetuating the State's dependence on fossil fuels, local sustainable fuel production will allow investment in the local economy and support job creation.

The legislature further acknowledges that while sustainable aviation fuel offers multiple benefits, the cost of its production is several times that of conventional fuels. Thus, creating a regulatory framework to support local sustainable aviation fuel production is critical. As with other states, Hawaii must look at policies that will work in tandem with federal policies to make sustainable aviation fuel production sustainable within the State.

Accordingly, the purpose of this Act is to advance Hawaii's commitment to reducing greenhouse gas emissions by:

(1) Increasing the renewable fuels production tax credit amount;

(2) Repealing the:

(A) Dollar cap on the amount a single producer can claim, while introducing a percentage based single producer cap;

(B) Requirement that the tax credit be claimed for fuels with lifecycle emissions below fossil fuels; and

(3) Specifying that the renewable fuels production tax credit can only be claimed for fuels that meet certain greenhouse gas reduction and emissions thresholds;

(4) Adding an additional renewable fuels production tax credit value for sustainable aviation fuel and low lifecycle emissions fuels;

(5) Clarifying that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after December 31, 2024;

(6) Clarifying and expanding required information in the certified statement for the renewable fuels production tax credit; and

(7) Repealing the requirement that the Hawaii state energy office provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

SECTION 2. Section 235-110.32, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(a) Each year during the credit period, there shall be allowed to each taxpayer subject to the taxes imposed by this chapter a renewable fuels production tax credit that shall be applied to the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

For each taxpayer producing renewable fuels, the annual dollar amount of the renewable fuels production tax credit

during the ten-year credit period shall be equal to [20] 35 cents per seventy-six thousand British thermal units of renewable fuels using the lower heating value sold for distribution in the State; provided that ~~the~~:

(1) 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[; ~~provided further that the amount of the tax credit claimed under this section by a taxpayer shall not exceed \$3,500,000 per taxable year; provided further that the tax credit shall only be claimed for fuels with lifecycle emissions below that of fossil fuels].~~ No other tax credit may be claimed under this chapter for the costs incurred to produce the renewable fuels that are used to properly claim a tax credit under this section for the taxable year.

(2) The tax credit shall only be claimed for fuels that meet the lifecycle greenhouse gas emissions reduction threshold and product transportation emissions threshold;

(3) There shall be an additional credit value of \$1 per diesel gallon equivalent for low lifecycle emissions renewable fuels; and

(4) There shall be an additional credit value equal to \$1 per gallon if the renewable fuel is sustainable aviation fuel.

Each taxpayer, together with all of its related entities as determined under section 267(b) of the Internal Revenue Code and all business entities under common control, as determined under sections 414(b), 414(c), and 1563(a) of the Internal Revenue Code, shall not be eligible for more than a single ~~ten-year~~ credit period~~[-]~~; provided that taxpayers who previously claimed a tax credit under this section before the effective date of

this Act may claim another tax credit for taxable years beginning after December 31, 2024."

2. By amending subsections (c) and (d) to read:

"(c) No later than thirty days following the close of the calendar year, every taxpayer claiming a credit under this section shall complete and file an independent, third-party certified statement, at the taxpayer's sole expense, with and in the form prescribed by the Hawaii state energy office, providing the following information:

(1) The type, quantity, and British thermal unit value, using the lower heating value, of each qualified fuel, broken down by the type of fuel, produced and sold during the previous calendar year;

(2) The feedstock used for each type of qualified fuel;

(3) The proposed total amount of credit to which the taxpayer is entitled for each calendar year and the cumulative amount of the tax credit the taxpayer received during the credit period;

(4) The number of full-time and ~~[number of]~~ part-time employees of the facility and those employees' states of residency, totaled per state;

(5) The number and location of all renewable fuel production facilities within and outside of the State; ~~[and]~~

(6) The lifecycle greenhouse gas emissions ~~[per]~~ in kilograms of carbon dioxide equivalent per million British thermal units for each type of qualified fuel produced~~[.]; and~~

(7) The lifecycle greenhouse gas emissions reported to the United States Department of the Treasury, if different than the emissions reported pursuant to paragraph (6).

(d) Within thirty calendar days after the due date of the statement required under subsection (c), the Hawaii state energy office shall:

(1) Acknowledge, in writing, receipt of the statement; and

(2) Issue a certificate to the taxpayer reporting the amount of renewable fuels produced and sold, the amount of credit that the taxpayer is entitled to claim for the previous calendar year, and the cumulative amount of the tax credit during the credit period~~;~~ and

~~(3) Provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels]."~~

3. By amending subsection (f) to read:

"(f) The total amount of tax credits allowed under this section for all eligible taxpayers in any calendar year shall not exceed \$20,000,000.

In the event that the credit claims under this section exceed ~~[\$20,000,000]~~ the total amount allowed for all eligible taxpayers in any given calendar year, the ~~[\$20,000,000]~~ total amount allowed shall be ~~[divided between all]~~ allocated proportionally to eligible taxpayers ~~[for that year]~~ in proportion to the total amount of renewable fuels ~~[produced by all eligible taxpayers. Upon reaching \$20,000,000 in the aggregate, the Hawaii state energy office shall immediately discontinue issuing certificates and notify the department of taxation. In no instance shall the total dollar amount of~~

~~certificates issued exceed \$20,000,000 per calendar year.]~~ production tax credits under this section for the calendar year. No taxpayer shall be eligible for more than seventy-five per cent of the total amount allowed in any year. The aggregate eligible credit amount for the sustainable aviation fuel additional value shall not exceed fifty percent of the total credit amount allowed in any year. To the extent that the limitations of this subsection reduce the amount of a taxpayer's credit, the amount of the reduction shall be available to the taxpayer to be used as a credit in the subsequent calendar year; provided that the credit shall not be carried over for any calendar year thereafter; provided further that the carryover credit shall be subject to the limitations of this subsection."

4. By amending subsection (o) to read:

"(o) As used in this section:

"Credit period" means a maximum period of ten consecutive years, beginning from ~~[the first taxable year in which a taxpayer begins renewable fuels production at a level of at least two billion five-hundred million British thermal units of renewable fuels per calendar year]~~the effective date of this Act.

"Feedstock transportation emissions threshold" means the carbon intensity contribution associated with the transportation of the feedstock from the feedstock producer to the renewable fuel producer is less than _____ grams per megajoule as determined by the lifecycle greenhouse gas emissions analysis.

"Lifecycle greenhouse gas emissions" means the aggregate attributional core lifecycle greenhouse gas emissions values utilizing one of the following:

(1) The most recent version of the United States Department of Energy's Argonne National Laboratory's greenhouse gases, regulated emissions, and energy use in technologies model, including agricultural practices and carbon capture and sequestration; or

(2) Another lifecycle methodology approved by the Hawaii state energy office.

"Lifecycle greenhouse gas emissions reduction threshold" means a reduction in lifecycle greenhouse gas emissions of fifty per cent compared to the fossil fuel for which the renewable fuel is most likely to replace.

"Low lifecycle emissions renewable fuels" means renewable fuel that meets the lifecycle greenhouse gas emissions reduction threshold, product transportation emissions threshold, and feedstock transportation emissions threshold.

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Product transportation emissions threshold" means the carbon intensity contribution associated with the transportation of the finished fuel from the renewable fuel producer to the final distribution storage facility is less than _____ grams per megajoule as determined by the lifecycle greenhouse gas emissions analysis.

"Renewable feedstocks" means:

(1) Biomass crops and other renewable organic material, including but not limited to logs, wood chips, wood pellets, and wood bark;

(2) Agricultural residue;

(3) Oil crops, including but not limited to algae, camelina, 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, fats, tallows, and waste cooking oil;

(7) Food wastes;

(8) Municipal solid wastes, ~~and~~ industrial wastes, and construction and demolition wastes;

(9) Water, including wastewater; ~~and~~

(10) Bio-intermediate ethanol produced from renewable feedstock;

~~[(10)]~~ (11) Animal residues and wastes ~~[-.]~~;

(12) Biogas or renewable natural gas;

(13) gaseous carbon oxides; and

(14) renewable or zero carbon energy resources,

that can be used to generate energy.

"Renewable fuels" means fuels produced from renewable feedstocks; provided that the fuel:

(1) Is sold as a fuel in the State; and

(2) Meets the "Lifecycle greenhouse gas emissions reduction threshold"; and

~~[(2)]~~ (3) Meets the relevant ASTM International specifications or other industry specifications for the particular fuel, including but not limited to:

- (A) Methanol, ethanol, or other alcohols;
- (B) Hydrogen;
- (C) Biodiesel or renewable diesel;
- (D) Biogas;
- (E) Other biofuels;
- (F) Renewable [~~jet fuel or renewable~~] gasoline[~~+~~]
or renewable naphtha;
- (G) Renewable propane or renewable liquid petroleum
gases;
- (H) Sustainable aviation fuel; or
[~~(G)~~] (I) Logs, wood chips, wood pellets, or wood
bark.

"Sustainable aviation fuel" means liquid fuel that consists
of synthesized hydrocarbons and meets the requirements of the
American Society for Testing and Materials International
Standard D7566 or D1655.

SECTION 3[~~4~~]. Statutory material to be repealed is
bracketed and stricken. New statutory material is underscored.

SECTION 4[~~5~~]. This Act, upon its approval, shall apply to
taxable years beginning after December 31, 2024.

INTRODUCED BY: _____

Report Title:

Renewable Fuels Production Tax Credit

Description:

Increases the renewable fuels production tax credit amount. Repeals the: (1) dollar cap on the amount a single producer can claim, while introducing a percentage based single producer cap; (2) requirement that the tax credit be claimed for fuels with lifecycle emissions below fossil fuels. Specifies that the renewable fuels production tax credit can only be claimed for fuels that meet the certain greenhouse gas reduction and emissions thresholds. Adds an additional tax credit value for sustainable aviation fuel and low lifecycle emissions fuels. Clarifies that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after 12/31/2024. Clarifies and expands required information in the certified statement for the tax credit. Repeals the requirement that the Hawaii State Energy Office provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

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

HB-976-HD-1

Submitted on: 2/10/2025 11:07:29 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Okuma	Individual	Comments	Written Testimony Only

Comments:

Hawaii's agricultural land needs to NOT be used to grow biofuel crops that could be used for fuel for automobiles as well as aircraft. We import at least 85% of our food, which has created a highly insecure food system. Grow crops on ag land to feed our people & increase Hawaii's food security! Construction debris and waste if used for aircraft fuel would create a toxic emissions.

HB-976-HD-1

Submitted on: 2/11/2025 2:46:17 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Julie Stowell	Individual	Oppose	Written Testimony Only

Comments:

I am writing in opposition to House Bill 976. Making fuel out of toxic industrial, construction and demolition waste is NOT sustainable. Liquefying crops, plants and trees isn't either. Agricultural land should be used for growing food, not toxic and polluting genetically modified crops for biofuel.

Please oppose this bill.

HB-976-HD-1

Submitted on: 2/11/2025 3:43:19 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kilia Purdy-Avelino	Individual	Oppose	Written Testimony Only

Comments:

Making fuel out of toxic construction and demolition waste is NOT sustainable. Liquefying our crops and trees isn't, either. Please oppose this bill.



Environmental Caucus of The Democratic Party of Hawai'i

February 11, 2025

Testimony in Opposition with Amendments to HB976 HD1: Relating to Sustainable Aviation Fuel Import Income Tax Credit

To: Chair Greggor Ilagan, Vice Chair Ikaika Hussey, and Members of the Committee on Economic Development & Technology

From: The Environmental Caucus of the Democratic Party of Hawai'i

Date: Wednesday, February 12, 2025, 10:00 a.m.

Place: Conference Room 423 & via Videoconference

Subject: Opposition to HB976 HD1 - Relating to Sustainable Aviation Fuel Import Income Tax Credit

Aloha Chair Ilagan, Vice Chair Hussey, and Members of the Committee on Economic Development & Technology,

The Environmental Caucus of the Democratic Party of Hawai'i opposes HB976 HD1, which establishes a sustainable aviation fuel import income tax credit and amends the renewable fuels production tax credit. While we support efforts to promote sustainable fuels, we have several concerns with the current bill and propose amendments to address these issues.

Key Concerns:

1. Use of Waste Feedstocks:

- a. The bill includes municipal solid waste, industrial waste, and construction and demolition waste as renewable feedstocks. These materials can release harmful pollutants when processed into fuel.
- b. **Amendment Request:** Please amend the bill to strike out municipal solid waste, industrial waste, and construction and demolition waste as renewable feedstocks to ensure the production of truly sustainable and non-toxic fuels.

2. Lack of Local Resources:

- a. Testimony on the companion bill, SB995, highlighted the lack of available land and water to meet biofuel production goals locally.
- b. It is crucial to prioritize agricultural land for food production rather than for growing biofuels.

3. Economic Considerations:

- a. The PAR refinery has already invested \$90 million into its refinery and found it worthwhile without additional subsidies.
- b. Airlines should pass on the cost of sustainable fuels to their consumers rather than relying on state taxpayer subsidies.

Supporting Arguments:

1. Focus on Combustion-Free Alternatives:

- a. In May 2024, the Democratic Party of Hawai‘i adopted a resolution advocating for a study on which energy sectors can be most quickly and cost-effectively decarbonized through additional public investment in combustion-free alternatives.
- b. Long-distance air travel is recognized as a sector where clean non-burn alternatives do not yet exist and will need to be addressed after cleaning up other sectors such as electricity.

2. Environmental Impact:

- a. Using waste materials as feedstocks can lead to environmental contamination and pollution.
- b. Prioritizing truly sustainable and clean energy sources is essential for the health and safety of Hawai‘i's residents.

3. Economic Viability:

- a. The existing investments by the PAR refinery demonstrate that sustainable fuel initiatives can be pursued without state subsidies.
- b. Encouraging airlines to absorb the costs rather than passing them on to taxpayers promotes a more sustainable and economically viable approach.

4. Senate Committee Actions:

- a. The Senate Energy and Intergovernmental Affairs Committee and Agriculture and Environment Committee both deferred the companion bill, SB995, due to concerns about the feasibility and environmental impact of the proposed measures.

While we support the goal of promoting sustainable aviation fuels, we believe that HB976 HD1 needs significant amendments to address our concerns. We urge the Committee to consider our proposed amendments and prioritize truly sustainable and economically viable solutions.

Thank you for the opportunity to testify.

Sincerely,

Melodie Aduja and Alan Burdick

Co-chairs, Environmental Caucus of the Democratic Party of Hawai'i

HB-976-HD-1

Submitted on: 2/11/2025 7:01:51 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Diane Ware	Individual	Oppose	Written Testimony Only

Comments:

Dear Chair and Committee Members,

I, Diane Ware, a resident of Volcano HI, moku o Ka'u, respectfully request you hold bill HB976 due to environmental and health concerns. Making fuel out of toxic construction and demolition waste is NOT sustainable. Liquefying our crops and trees isn't, either. Please oppose this bill Which also has a big price tag for residents in subsidies.

- Please amend the bill to strike out municipal solid waste, industrial waste, and construction and demolition waste as renewable feedstocks.
- In May 2024, the Democratic Party of Hawai'i adopted a [1-page resolution](#) argues that the state conduct a study of the different energy consumption sectors to determine which can be most quickly and cost-effectively decarbonized through additional public investment in combustion-free alternatives, recognizing that long-distance air travel is the one sector where clean non-burn alternatives do not yet exist and will need to be cleaned up after we clean up electricity and other sectors.
- The Senate Energy and Intergovernmental Affairs Committee and Agriculture and Environment Committee both deferred the companion bill, SB 995, for good reasons, in response to testimony showing that there is not available land or water to meet the goals to locally grow biofuels. They also noted that PAR refinery already invested \$90 million into their refinery and found it to be a worthwhile investment without the subsidy, and that airlines should pass on the cost to their consumers, not state taxpayers.

Malama pono,

HB-976-HD-1

Submitted on: 2/11/2025 8:14:23 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mary Marvin Porter	Individual	Oppose	Written Testimony Only

Comments:

I oppose this bill. The bill is filthy fuel. Making fuel out of toxic construction and demolition waste is not sustainable. Liquefying our crops and trees isn't, either. There is not available land or water to make this possible and that most of the subsidies for biofuels from crops would flow to the oil refinery and to out-of-state suppliers. Agricultural land should be used first to feed people, not planes.

Mary Marvin Porter

Island Eyes Video

Keaau, Hawaii



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 12, 2025

HEARING BEFORE THE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

TESTIMONY ON HB 976, HD1
RELATING TO RENEWABLE FUEL

Conference Room 423 & Videoconference
10:00 AM

Aloha Chair Ilagan, Vice-Chair Hussey, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports HB 976, HD1, which establishes a tax credit for the import of renewable fuel and updates the renewable fuels production tax credit.

Renewable energy production using biofuels can play a critical role in helping Hawai'i reach the goal of one hundred percent renewable energy by 2045, help to diversify Hawai'i's economy and agricultural sector, reduce greenhouse gas emissions, and reduce our dependence on imported oil.

HFB supports the production of dedicated energy crops, crop residues, and agricultural wastes into economically and environmentally sustainable biofuels and value-added by-products such as livestock feed.

Finding viable uses for agricultural lands that will encourage sustainability in our environment and that produce positive economic cash flow for Hawaii is a critical need. Locally grown biofuel feedstocks offer significant benefits for our farmers. These crops can thrive on marginal land, improving soil health and reducing erosion. They require less water and fertilizer than traditional row crops. By creating a demand for these crops, the renewable fuels industry can revitalize rural communities, create new jobs, and diversify farm income streams. Growing biofuel feedstocks locally helps to create new agricultural jobs, encourages food production, and does not compete with food crops when using oil seed cover crops. HFB believes these feedstocks will be able to provide a quality biofuel product and usable byproducts (such as animal feed) to help support Hawaii's sustainability goals and agricultural, ranching, and dairy sectors of the local economy.

Thank you for the opportunity to comment on this measure.

HB-976-HD-1

Submitted on: 2/11/2025 8:50:30 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Keith Neal	Individual	Oppose	Written Testimony Only

Comments:

Dear Chairman Ilagan, Vice Chairman Hussey, and members of the Committee,

Oppose HB976_HD1

The bill, while well intentioned is flawed. A certified aviation fuel is very specific and heavily regulated product. The amount of resources to create such a fuel is materially inefficient and economically not viable. The large subsidies in the bill make this point.

Furthermore, agricultural land in Hawaii is constrained and should be dedicated to food production.

Respectfully submitted,

Keith Neal

Waimea



Airlines for America®

We Connect the World

February 11, 2025

Testimony on HB 976 Relating to Renewable Fuel

House Committee on Economic Development and Technology

Rep. Greggor Ilagan, Chair

Rep. Ikaika Hussey, Vice Chair

Dear Chair Ilagan, Vice Chair Hussey and Members of the committee:

Airlines for America (A4A), the principal trade and service organization of the U.S. airline industry, supports the vast majority of the provisions in HB 976. A4A and its members have a strong climate change record and are committed to working across the aviation industry and with government leaders in a positive partnership to achieve net-zero carbon emissions by 2050.

Achieving this rapid transition to sustainable aviation fuel (SAF) requires industry and government to work in partnership, at both the federal and state levels, to expand SAF production capacity across the country. A4A and our members strongly support efforts such as this which are needed to catalyze SAF production. The key provisions of HB 976 that we support include:

- **Sustainable Aviation Fuel Tax Credit:** SAF is a proven solution to reduce lifecycle emissions by up to 80 percent compared to conventional jet fuel, supporting Hawaii's clean energy leadership.
- **Renewable Fuels Production Tax Credit:** Incentivizing the production of renewable fuels like SAF, renewable diesel, biodiesel, and renewable naphtha, to decarbonize transportation and power generation.
- **Support for Local Agriculture:** By fostering renewable feedstocks such as camelina, this measure diversifies agriculture, strengthens food security and creates green jobs.
- **Improved Credit Accessibility:** Modernizing the tax credit structure ensures broader and more equitable adoption of renewable fuel incentives.

Airlines, governments and other aviation stakeholders have recognized that achieving net-zero aviation emissions by 2050 will require a very rapid transition from conventional (fossil) jet fuel to SAF. As noted earlier, SAF can bring meaningful reductions in aviation carbon emissions, reducing lifecycle emissions intensity of fuel up to 80 percent compared to conventional jet fuel today, with future pathways having potential for 100 percent reductions. A4A and its members are feedstock and technology neutral for SAF production, and thus we firmly believe that any feedstock that can meet technical and environmental requirements should be eligible for this tax credit.

A4A greatly appreciates that the state of Hawaii is continuing to lean in on this issue with HB 976, we look forward to opportunities to work with the sponsors on the legislative text.

Please do not hesitate to reach out with any questions.

Sean Williams
Vice-President, State and Local Government Affairs
swilliams@airlines.org

HB-976-HD-1

Submitted on: 2/11/2025 9:30:14 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Steve Parsons	Kauai Climate ACTION Coalition, Small Biz Owner	Oppose	Written Testimony Only

Comments:

Aloha Trusted Lawmakers,

Kauai Climate Action Coalition is strongly opposed to this toxic bill. Making fuel out of toxic construction and demolition waste is NOT sustainable. Liquefying our crops and trees isn't, either. Please oppose this bill! and support a way more successful solution that mandates deconstruction and reuse many of the building materials that go into the landfill now.

Steve Parsons, Hanapepe

Kauai Climate Action Coalition, Lead

TESTIMONY
by JoAnn A. Yukimura
RE: HB 976 Relating to Renewable Fuels
before
The House Committee on Economic Development and Technology
February 11, 2025

Chair Illegan, Vice Chair Hussey, and Committee Members:

My name is JoAnn Yukimura. I am a resident of Kaua'i County and a citizen of the State of Hawai'i. Thank you for your careful consideration of my testimony.

I write in strong opposition to HB 976 for the following reasons.

1. **The amount of taxpayers monies being requested is not reasonable.** There are so many direct and compelling needs of our residents that should be addressed first--such as affordable housing, early childhood education, reversing climate change and securing energy independence, environmental protection, infrastructure, higher education, food production, invasive species interdiction. These needs must be given priority over a for-profit industry's request to use \$80 million in public monies to offset costs for their investors.
2. **There is a better alternative to providing monies for the airline industry to transition to Sustainable Airline Fuels, a goal which I support.** A carbon fee which will correct the price of fossil fuels to accurately reflect its external costs to society (such as the health, environmental, economic and disaster-related costs), will pour millions of dollars into Hawai'i's Airport Fund, with no draw from the General Fund. Since the purpose of carbon pricing is to use the market to transition our state to a fossil fuel free future, it makes good sense to use the revenues to support SAF research (not production, which is not cost effective in Hawai'i and will adversely affect food production), and to build SAF storage facilities (which would lower the price of fuels for Hawaii aviation since the fuels would have to be imported from places that can make fuels much more cost-effectively than in Hawai'i). The use of Airport Fund monies would need to be properly restricted (with Congressional help) to ensure that fuels produced will be truly sustainable and should disallow the conversion of municipal solid waste, industrial wastes, or construction & demolition debris through toxic processes. Camelina research would be supported but production in Hawai'i would not. Instead the monies could be used to build environmentally sound fuel storage facilities.

Please hold the bill. Mahalo.

HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2025

COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Rep. Greggor Ilagan, Chair
Rep. Ikaika Hussey, Vice Chair

Rep. Daniel Holt
Rep. Adrian K. Tam

Rep. Chris Todd
Rep. Lauren Matsumoto
Rep. S Templo

NOTICE OF HEARING

DATE: Wednesday, February 12, 2025
TIME: 10:00 AM
PLACE: State Capital Conference Room 423

SB-995 (HB-976) Refundable Tax Credits for the Importation of Sustainable Aviation Fuel (SAF) and the In-State Production of SAF and Other Renewable Fuels

Companion senate bill (SB-995) which was identical to the original HB-976 was deferred by AEN committee on January 30, 2025.

Establishes the sustainable aviation fuel import tax credit. (initially proposed to maximum of \$50 MM per year in 2029 through 2036)

Increases the renewable fuels production tax credit amount. (originally proposed to increase from \$20 MM to a maximum of \$80 MM in 2029 and thereafter)

Repeals the:

- (1) cap amount of claimable renewable fuels production tax credit;
- (2) requirement that the tax credit be claimed for fuels with lifecycle emissions below fossil fuels; and
- (3) prohibition on claiming other tax credits for the cost incurred to produce renewable fuels.

Specifies that the renewable fuels production tax credit can only be claimed for fuels that meet certain thresholds. Adds an additional tax credit value.

Clarifies that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after December 31, 2024.

Clarifies and expands required information in the certified statement for the tax credit. Repeals the requirement that the Hawaii State Energy Office (HSEO) provides the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

Commenter's Position: Opposed

HB-976 should be rejected for the following reasons

1. There is still too much ambiguity regarding the most cost-effective means of facilitating the transition to renewable fuels, to embark on such an expensive path as refundable tax credits for renewable fuels. In 2022 Act 238 appropriated funds for the Hawaii state energy office (HSEO) to conduct a study to determine Hawaii's pathway to decarbonization and identify challenges, opportunities, and actions that will be needed to achieve those goals. The first Pathways to Decarbonization report was published in December of 2023. The HSEO has generally endorsed the application of state-wide carbon tax, similar to that which was first published by UHERO in 2019 and updated in 2021. A state-wide carbon tax, with cashback dividends routed to the impacted public, is basically the opposite of using public funds to provide a tax credit for renewable fuels. Other key studies are underway and more are proposed.
2. Principally because generous federal tax credits for clean renewable fuels, including SAF, ranging from \$ 1 to 1.75 per gallon Par Hawaii Refining has already committed \$90 million dollars to conversion of a portion of 93,500 bpd refinery to the production of renewable fuels. Pacific Biodiesel has been the recipient of many state and federal grant and tax credit.
3. The proposed renewable State fuel tax credits will not lower the overall cost of renewable fuels. The tax credit will merely subsidize their importation and local production of renewable fuel using public funds rather than sharing that burden the airlines and the flying public (mostly tourist and residents who can afford to travel frequently).
4. There is no new funding source specified for the refundable credits consequently the cost of the annual tax credits, which were originally capped at \$80 MM dollars per year for production and \$50 MM per year for importation of renewable fuels, are for now unbounded. Because there is no funding for renewable tax credits, which could readily exceed \$1.6 billion over the first 20 years, the cost to subsidize and lower the price of renewable fuels, especially SAF will be drawn from existing tax revenue streams, at the expense of other equally worthy State investments and programs. The production of renewable fuels by Par Hawaii Refining alone

will readily exceed the previously established caps on tax credits. In its prior testimony HSEO cautioned against the use of tax credits which are refundable up to 70% of their valuation, because further expansion of the renewable tax credits would be cost prohibitive and could have budgetary implication for the State. Somewhat similarly on January 28, 2025 DOTAX provided testimony on HB-976 which recommended limiting the State's exposure to the expense and risk of abuse of tax credits by making the State tax credits non-refundable.

5. There is no supplemental tax credit for locally grown feedstocks, which is understandable, because supplemental tax credit for Hawaii sourced feedstocks would have to be substantial to compete with renewable feedstocks imported through the foreign trade zone (FTZ), which provides certain tax and logistical advantages. Because of limited availability of land and water, history has shown that even robust tax credits have not led to the production of more renewable fuels. The multimillion-dollar ethanol tax credit did not lead to the production of any ethanol in the State. To promote production in Hawaii, in 2022 the legislature raised the RFPTC raised from 3 million to 20 million principally support the expansion of Pacific Biodiesel Technologies (PBT). The amount of biodiesel produced by PBT has increased steadily, setting a record of over 6 MM gallons in 2023, however it was not locally sourced. On 7/8/24 HECO submitted a report to the PUC that showed over a recent 4-year period, 68% of the feedstocks used by Pacific Diesel were derived from used cooking oil that was imported from the West Coast (probably Oregon) to Hawaii.
6. Neither Hawaii farmers nor the general public are likely to see much of a benefit from the State's on-going (and unfunded) subsidy for renewable biofuels, particularly SAF, because there are no assurances that the "savings" afforded by the tax credit will be passed on to either its local suppliers or its airline and utility customers. Hawaii Natural Energy Institute (HNEI) released a report that indicated that at most 10% of the 700 MM gallons of required jet fuel could be produced from existing agricultural lands principally pastureland not currently used for crops.

[Sustainable Aviation Fuel Production](#)

However, the amount of land required, even while using the highest yielding pongamia tree is enormous, exceeding the 382 acre land mass of Oahu. Based on a posted estimate of 300 gallons/acre from specialty

developer Terviva (who is managing several trial plots on two islands) would mean that about 50,000 acres of "new" land would have to be dedicated to energy crops in order to displace 2% of traditional jet fuel with SAF. According to the Hawaii Dept. of Agriculture, in 2020 there were only about 120,000 acres currently being used to grow food crops in Hawaii, so the 50,000 acres is a very large commitment and that is just the land issue.

7. Providing a renewable fuel tax credit is not consistent and not as efficient as the imposition of a carbon tax as had been recommended by the State Energy Office and the 2021 Tax Review Commission. Alternatively, as several other bills have suggested, the use of SAF could be incentivized by raising the \$1.05/bbl barrel tax to \$42/bbl (or \$1/gal) on traditional aviation fuel and other traditional fossil fuels as well, and the tax would be and revenue generator for the State rather than a drain on its resources.
8. Because so many of the caps and limits have been removed from RFPTC with this bill, the tax credit is no longer serving one of its primary functions to provide support for innovative start-ups, and as result the RFTC has morphed into a long term and potentially never-ending public subsidy for few select companies with handsome profit margins. On January 28th DOTAX testified on HB-976, recommending the tax credit be revised to non-refundable to avoid waste and abuse.
9. The tax credits, particularly for SAF are characterized as "essential" principally because the airlines are not willing to pay more for SAF than traditional jet fuel. The airlines give lip service to the goal of reducing GHG emissions, but they are not willing to commit to minimum purchases of SAF and/or pay the higher price associated with acquisition of SAF, presumably because of competitive pressures. Airlines for America (A\$A) which represents and provided testimony for all the major US-based airlines flying into Hawaii make absolutely no financial commitment to purchase SAF, other than willingness to buy it when SAF becomes cost competitive with traditional jet fuel, which means when subsidized by taxpayers. Even the refundable tax credits for SAF which A4A endorsed may not reach the airlines because the credits go to the renewable fuel producers, Par Hawaii Refining, who because of tax advantages has little competition from importers. Unfortunately, the State is barred from mandating the use of SAF on any transpacific flight.

10. Since SAF is considered a drop in fuel, and consistent with the explicit provision for HRS 225-P which targets reductions of GHG within the State, instead tax credits, the State should consider a phased in mandated minimum for the use of SAF on interisland flights. The first phase could include all the approximate 36 MM gallons per year of SAF that is Par Hawaii is expected to produce, ensuring it would not be shipped out-of-state, which appears to be underlying urgency of this proposed legislation. There would be no necessity to subsidize the SAF consumed on interisland flights with tax credits, if the airlines were required to purchase SAF by State statute. Everyone recognized that when the State announced the goal of reaching net zero within the State it was going to cost more. If the State mandated SAF on inter-island flights, it would make a market in Hawaii. Although subject to negotiation, conceptually Par Hawaii could simply charge the airlines the same price for the SAF, as they would if the SAF was shipped out of State, which might be \$1-2 more per gallon.
11. The renewable fuel import tax credit (RFITC) for imported SAF was projected to end in 2036 and yet there is no good basis or reason to think additional SAF will not be needed well beyond, particularly because the State is intent on reducing and offsetting GHG from transpacific flights. Alaska Airlines website has a goal of net zero by 2040 but it proposes to reach that goal with SAF and offsets. In contrast the producer's credit for SAF (and other fuels) goes on indefinitely creating a virtually monopoly for PHR. There could be FTC considerations and challenges due to the lack of real competition caused by such a disparity in tax credits for producers vs importers.
12. Either the nominal credit for imported SAF of \$1/gallon is too low or more likely, the RFPTC (\$2.56/gal) is too high to ensure competition between renewable fuel producers and importers. Abundant supply and (some minimal amount of) competition are the two key factors that will help keep prices for SAF and other renewable fuels in check for Hawaii residents and travelers. Par Hawaii will already be laying claim to a \$1.75/gal federal credit for SAF and then as proposed by SB995/HB976 Par Hawaii Refining would get an additional credit of \$2.56/gallon for SAF from the State of Hawaii, totaling \$4.31 per gallon. With so much of it subsidized by the public, how much will Par Hawaii sell SAF for? How much of a discount and incentive will the airlines and tourists get for using SAF? If Par Hawaii hangs on to most of the tax credit it could be a financial windfall. While Par Hawaii will incur an additional cost for producing the SAF from virgin

soybean oil, importers like IES will have to pay a higher price to their suppliers for finished SAF produced by other manufacturers like NESTE and SkyNRG and importers will bear the cost of transporting it to Hawaii. Importers will find it difficult to deliver and compete when PHR has more than a \$3-gallon (\$132/bbl) cost advantage over SAF importers. As inferred by the combined 67% combined credit basis above, the State tax credit for the Par Hawaii Refining for producing SAF is too high.

- a. Higher tax credit valuation for in-state production of SAF cannot be justified on the hopes and promise of local feedstock supply because there is no mechanism or guarantee that a material portion of the \$2.56/gal tax credit would go to local farmers and whether their share of the tax credit would provide an adequate incentive to place valuable pastures in to service.
- b. Although estimates vary, Stillwater has estimated that the Low Carbon Fuel Standard in California provides about \$1.05 per gallon in value. Consequently, it should not be necessary for the State to provide PHR with a state tax credit of more than \$1.5 for SAF to ensure that they will not produce it in Hawaii and then ship it to California, with other renewables.

13. The RFTPC is too high in absolute terms and far too costly in terms of how much fuel would be covered by the tax credit. Par Hawaii has indicated that about 60% of the 60 MM gallons that its new renewable fuel production facility can/will be used to make SAF, that is equivalent to 36 MM gallons per year. Assuming that all the SAF manufactured by PHR meets all the critical lifecycle thresholds, the thirty 36 MM gallons of SAF would cost or have a value of \$92.1 MM (36MM gals * \$2.56/gal) in credit. Because the \$/gallon credit value is so high, and in the first full year of operation for just SAF Par Hawaii could easily claim more than the (original) maximum value of the production credit (\$80 million) in a single year. That also means there would be an additional 24 MM gallons of renewable diesel and naphtha for which there would be no available State tax credit available, and according to PHR, it will be shipped to the West Coast where it commands a higher value. Then Par Hawaii will likely, once again ask the legislature for further expansion of the RFPTC, because the State will always be in competition with the West Coast for the supply of SAF.

14. In absolute terms, the refundable tax credit is huge. A single year of the tax credit for fuel producers (\$80 million dollars) could have bought the entire Par Hawaii refinery in 2013, it would nearly pay off the new \$90 million production facility in a single year and \$ 80 million dollars represents about 1/3 of State's corporate income tax. All sorts of real-life comparisons can be made to credit/cash stream of \$80MM per year. Just for producers over 20 years the public subsidy would equate to over \$1.6 billion dollars.
15. While the public subsidy for the proposed tax credit is quite high, it provides relatively little assurance that SAF will be produced and remain in Hawaii, simply because the State's demand for jet fuel is so high. Working the math backwards, if for example that Par Hawaii was the sole benefactor of the production tax credit, only 31 MM gallons per year of SAF would be subsidized (and protected) by the State tax credit (\$80 MM) /(\$2.56/gal). By any measure 31 MM gallons is a small fraction of the total amount of jet fuel consumed by airplanes traveling within and from the State. The amount of tax-payer subsidized SAF would be just 4.2% of the 740 MM gallons of jet fuel cited in the HB-976, which accounts for all jet fuel consumed. Even relative to the roughly 310 MM gallons of taxable aviation fuel according to recent DOTAX reports, the 31 MM gallons would represent only about 10% of the taxable jet fuel more definitively targeted for displacement. In either case, 31 MM gals per year is a small fraction of the jet fuel demand particularly since SAF for transpacific flight is expected to continue until at least 2040. Industry group, Airlines for America has a goal of reaching net zero greenhouse gas emissions by 2050, so the need will persist in Hawaii for at least that long. Will the State be expected to provide even more public subsidies to displace the remaining 90+ % of (taxable) fossil fuel if Par Hawaii Refining makes additional modifications to its 93,500 BPD refinery. As recognized by the HSEO, it is simply inconceivable that Hawaii can fund tax credits that would have to be ten times higher or \$800 MM/year to buy down the cost of all the SAF that could be needed for interisland and interstate travel.
16. There is no limitation on a single company claiming both the producer's tax credit and the importers' tax credit. Par Hawaii historically has been both a manufacturer and importer of jet fuel. The same could be true of SAF, particularly as disparities in the value and the availability of tax credits stifles competition from other importers of SAF.

17. There are no protections for the State interests or assurances that the robust (refundable) tax credits will be directed to companies which are in good standing with DOTAX.

The legislature should ensure there are common-sense financial safeguards much like those employed by the IRS on the \$2.9 billion dollar federal tax credit for clean fuels under Section 45z, to ensure the tax credits are only issued to companies which are in good standing with the federal tax code.

Below is the brief but critical language which established prequalification criteria that must be met for companies to receive generous federal tax credits for the production of renewable fuels (such as \$1.75/gal for SAF). Pursuant to the prequalification notice for the clean/renewable fuel tax credit is available only if the IRS determines that

"An applicant has a satisfactory tax history only if the Commissioner determines that the filing, deposit, and payment history for all Federal taxes of the applicant and any related person support the conclusion that the applicant will comply with its obligations under this section. "

For reference the entire prequalification criteria (n-25-10) for the Section 45Z Clean Fuel Production Credit that was recently issued by the IRS in January of 2025 is hyper-linked below.

[N-2025-10](#)

HB-976 should be amended to include a good tax history pre-qualification provision, so that refundable tax credits can only be granted with DOTAX's annual endorsement that a company is good standing with Hawaii's tax regulations and statutes. In addition to those that have already been proposed below is suggested amendments for both the production and importation tax credit.

(e) The taxpayer shall file the certificate issued under subsection (d) (2) with the taxpayer's tax return with the department of taxation. The director of taxation may audit and adjust the certification to conform to the facts.

The Director of Taxation may reject the certificate based on the director's determination that the applicant is deemed to not have a satisfactory tax history based on the filing, deposit, and payment history for all State taxes of the applicant and any related person.

HB-976 proposed a dramatic increase in and de facto commitment to the State's Renewable Fuel Production Tax Credit (RFPTC) as currently set forth by HRS §235-110.32 from \$20 million dollars per year to over \$130 MM per year in aggregate by 2029. The bills also effectively did away with the individual taxpayer credit limit of \$3.5 MM per year, replacing it with a proration scheme based on the amount of renewable fuel produced, so that a single person/taxpayer could claim \$50 MM per year as an importer and \$80 MM dollars as a producer in 2029 (less in earlier years). There is nothing that precludes a single company (specifically Par Hawaii Refining) from claiming both the importers credit and the production credit. Historically PHR has been both a producer and importer of traditional jet fuel.

The original bill also embodied proposals to extend the duration of just the production credit period past 2045, which is the year the State has established (through HRS §225P-5) as a target to reach atmospheric carbon (CO₂) emissions neutrality through reductions and offsets/sinks. Even though the TRC recommended a carbon tax, because Par Hawaii Refining is on track to start producing about 4,000 barrel per day of renewable fuels at its foreign trade zone (FTZ) refinery in the Campbell Industrial Park during the second quarter of 2025, at the bequest of its largest benefactors, new legislation (SB-995, HB-976 and others) has been introduced to extend and expand the State's RFPTC to accommodate PHR's renewable fuel production facility.

The renewable fuel facility which is located in foreign trade subzone 9A (FTZ 9A) has been in the planning stages ever since the Inflation Reduction Act of 2022 and the 45z tax clean fuel tax credit was authorized creating a strong economic incentive for the refinery to convert approximately 5% of its capacity to renewable fuels. On December 28, 2022, the FTZ Board published notice in the Federal Register of Par Hawaii's request and intent to expand its production authority to also allow the refining soybean oil into renewable diesel, naphtha and SAF.

[Federal Register: Foreign-Trade Zone \(FTZ\) 9-Honolulu, Hawaii; Notification of Proposed Production Activity; Par Hawaii Refining, LLC \(Renewable Fuels\); Kapolei, Hawaii](#)

In May of 2023 the governor issued a press release which announced that State of Hawaii and the FTZ Board had granted Par Hawaii Refining special authorization to import renewable feedstocks principally soybean oil into the FTZ refinery, from foreign countries like Brazil and Argentina allowing US duties and State taxes to be deferred until the resultant renewable fuels like SAF are sold within the State.

[Governor Josh Green, M.D. | DBEDT NEWS RELEASE: PAR HAWAII RECEIVES FIRST FEDERAL APPROVAL TO PRODUCE RENEWABLE FUELS IN A FOREIGN-TRADE ZONE](#)

While the local supply of renewable feedstock is possible, Hawaii-grown renewable feedstocks will be insignificant relative to the amount of renewable feedstock imported in bulk from foreign countries, largely duty and tax free.

Even though the 45Z federal clean fuel production credit served as the primary impetus for converting a portion of the refinery to produce renewables Par Hawaii has and will continue to put tremendous pressure on the State legislature and State energy office (HSEO) to expand the RFPTC to ensure that the renewable fuels that it produces (within the Hawaii FTZ) remains within the State and more importantly ensures that Par Hawaii gets an additional robust state tax credit for making and keeping renewable fuel in State. Par Hawaii provided testimony last year and followed up with proposed legislation this year that requires RFPTC to be expanded to at least \$ 80 million dollars per year. As documented in Appendix A of HSOE's recently released 2023 Pathway to Decarbonization Study, Par Hawaii Refining issued the following ultimatum.

"States on the US West Coast and elsewhere have incentives – ranging from approximately \$1-2 per gallon – for low carbon fuels. Fuels will flow to where they can achieve the highest value for producers.

*Par Hawaii is proceeding with a \$90 million project to convert a unit at the Kapolei refinery to the production of renewable diesel and sustainable aviation fuel. This unit will have a capacity of approximately 60 million gallons per year and will begin production of fuel in Q2 of 2025. As noted above, these fuels are expected to be **exported to the US West Coast, unless State policy includes financial incentives for those fuels to be consumed in Hawaii.** "*

In addition to claiming the robust federal 45Z tax credit for production of clean/renewable fuels (\$1.75/gal for SAF), Par Hawaii Refining expects and is

demanding that the State provide enough State tax credits to offset and recover its one-time capital investment of \$90 million dollar investment within the first full 2 years of operation. On top of the federal credit, Par Hawaii Refining would be the recipient and entitled to huge refundable State tax credit windfall, not for just the first year but for every year thereafter - until at least 2045, and probably much longer so long as Par Hawaii Refining continues to produce renewable fuel, while maintaining the very real threat of shipping it out-of-state to the West Coast (free of any State taxes). Particularly since renewable importers are considerably disadvantaged (by this bill), once the State becomes dependent on Par Hawaii for the supply of renewable fuels, Par Hawaii would have even greater leverage, to secure additional and larger tax credits in the future.

Before the State commits to providing huge public subsidy of over \$130 million per year for renewable fuels (for the foreseeable future) worth well over **\$1.5 billion** over the course of the 20 years, the State should take the same approach as the IRS and require that in order to qualify for the State's RFTC, that the taxpayer, is has a good tax history and no outstanding State tax liabilities as determined by DOTAX. There is good reason to add the prequalification standard because Par Hawaii Refining (without question the largest benefactor of the proposed renewable fuel tax credit) has been under investigation by the State's AG since 2021 for making false claims and deductions for the Foreign Trade Zone (FTZ) and institutionalizing measures to avoid State taxes and tax related expenses.

[Hawaii Sues State's Largest Oil Refiner For Alleged Unpaid Taxes - Honolulu Civil Beat](#)

Except for property tax and employee taxes, Par Hawaii Refining has historically asserted and may (in their legal defense) continue to assert that the Hawaii FTZ is entirely outside that taxing jurisdiction of the State. The legislature should not give free license and advance new legislation which would reward bad actors with robust tax credits (just because they are making renewable fuel in the FTZ) particularly when the State's AG and DOTAX are attempting to collect taxes from Par Hawaii Refining and hold them accountable for aggressively misrepresenting the scope of the FTZ exemptions to the State and to the refinery's suppliers, service providers and contractors.

Just as Par Hawaii Refining is holding the State hostage, in a concerted effort to secure huge renewable fuel production tax credits from the State legislature, the State in turn should secure its interests and ensure that Par Hawaii has fully

cooperated satisfying historic obligations and continues contributing its fair share to the public funds before an unknowing legislature allows and encourages Par Hawaii Refining to draw on those public funds.

Notably the proposed bill(s) retains the refundability element of the State RFPTC which currently includes a provision, (excerpted below) which allows the tax credit to be refunded, which means RFPTC is not merely the loss of business income tax revenues (from claimants) but would cause the State to actually payout and distribute the residual value of the tax credits, to renewable fuel producers, such as Pacific Biodiesel and Par Hawaii Refining.

HRS §235-110.32

- (i) 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, the excess of the credit amount over payments due shall be refunded to the taxpayer; provided that tax credit amounts properly claimed by a taxpayer who has no income tax liability shall be paid to the taxpayer; .."

The refundability of the RFPTC should be (returned to its original state and) revoked, because it will far exceed (dwarf) Par Hawaii's corporate state income tax liability in the first year of operation and could potentially eclipse all State income tax collected and paid by all corporations, not just those claiming the RFPTC. Although qualified and limited to 70%, the RFPTC is effectively a public subsidy, principally for oil companies because the amount renewable fuel that will be needed, far exceeds the income tax liability of those companies that will import or produce it. On January 28th DOTAX testified on HB-976, recommending the tax credit be revised to be made non-refundable but EEP rebuffed that change.

There are many reasons to reconsider the merits of the renewable fuel tax credit that have been proposed, but if SB-995 (or HB-976) is to be advanced (in spite of its shortcomings), the legislature should at least protect the State's interests and assure the integrity of the renewable fuel program by adding a satisfactory tax history prequalification safeguards and/or by eliminating the refundability provision. The change recommended by DOTAX, would restore the tax credit for renewable fuels to its original construction and would serve as a much needed upper bound on how much of the tax credit could be claimed by a single company and limit the State's overall financial exposure.

Ted Metrose

Comments before
February 12, 2025 House Committee on Economic
Development & Technology

**OPPOSING
House Bill 976**

Relating to Sustainable Aviation Fuels

Mike Ewall, Esq.
Founder & Director
Energy Justice Network
215-436-9511
mike@energyjustice.net
www.EnergyJustice.net

Aloha Honorable Committee members. Energy Justice Network is a national organization supporting grassroots groups working to transition their communities from polluting and harmful energy and waste management practices to clean energy and zero waste solutions. In Hawai'i, we've been working with residents who first sought our support in 2015. Since mid-2022, we have supported residents in forming the Hawai'i Clean Power Task Force and Kōkua nā 'Āina to address numerous energy and waste issues in the state.

We must stand in opposition to House Bill 976 because a transition to different burnable fuels in air travel is a false solution – one that, in many ways, is actually worse than the status quo.

While we'd prefer to see the bill indefinitely deferred, we offer the following amendments to make it somewhat less toxic and harmful, even though it would still amount to a massive \$80 million per year subsidy to PAR Hawaii oil refinery, with dubious climate benefits, if any.

AMENDMENTS TO MAKE BILL LESS HARMFUL:

- 1) Strike all of “(8) Municipal solid wastes [and], industrial wastes[;], and construction and demolition wastes;” so that construction and demolition wastes are not being added, and other wastes are removed as eligible feedstocks.
- 2) Replace “(2) Is derived from biomass resources, waste streams, renewable or zero carbon energy sources, or gaseous carbon oxides.” with “(2) Is derived from biogas resources from sewage sludge or from the organic fraction of municipal solid waste that is digested prior to landfilling only after food scraps and yard waste are source separation for aerobic composting, zero carbon energy sources such as green hydrogen, or gaseous carbon oxides.”
- 3) Strike “(2) Carbon offsetting and reduction scheme for international aviation;”

REASONS TO OPPOSE THE BILL ALTOGETHER

The bill adds camelina, fats, tallows, construction and demolition (C&D) waste and “bio-intermediate ethanol produced from renewable feedstocks” to the list of “renewable feedstocks” – a list that already includes feedstocks as dirty as municipal solid wastes (household and commercial trash) and industrial wastes. **None of these are clean energy sources.**

Production will not be local: HB 976 has a preamble about locally-produced fuels, but does not require that the fuel be locally produced. As was discussed in the 1/29/2025 Joint Hearing on SB 995 before the Senate Energy and Intergovernmental Affairs and Agriculture and Environment Committees, the Department of Agriculture testified to the fact that there simply is not sufficient land or water to have a significant biofuels production industry within the state. See: <https://www.youtube.com/live/eLQmyLuHOu8?si=T4l->

[6FFwZu5ybYjz&t=857](#) This means that most of the production will come from the continent, predominantly the Midwestern states, defeating the goal of this bill and failing to subsidize Hawaiian economies.

Competition with food: The same recent Senate hearing exposed how growing crops for biofuels in Hawai'i would take up land and water needed for the state's own food security goals to have more food grown in-state. This bill has no language to attempt to avoid food vs. fuel competition.

Genetic engineering: The Biotechnology Industry Organization regularly submits testimony in favor of these biofuels bills, yet fails to be transparent about their motivation. Clearly, they expect to have genetically engineered crops and/or enzymes used for the production of supposedly "sustainable" aviation fuels. This raises many biosecurity concerns, as well as concerns over increased herbicide spraying, since most genetically modified food crops are modified to withstand increased herbicide use.

Toxic waste streams as feedstocks: At least two companies are pursuing goals of producing fuels in the state using contaminated waste streams like construction and demolition waste. This is terribly polluting and even if the toxic metals and dioxins/furans do not end up in the fuel, they'll end up in the air, water, and/or waste byproducts at the in-state production facilities being proposed. More on the toxics concerns below.

Finances: The rather costly fuels are not competitive and are inherently quite expensive. If they were truly clean, one could argue that the expense is worth it, but a state mandate would have to be stacked with multiple federal subsidies to make it remotely feasible. However, those [federal subsidies](#) are vanishing as we speak under the Trump administration and [cannot be expected](#) to carry the day.

Faulty Greenhouse Gas (GHG) accounting: Biofuels look like a climate solution only because of biases in carbon accounting systems and life cycle assessments. There is a long-standing controversy over whether biofuels production uses more energy than it produces. The incredible amount of fossil fuel resources, land, water, fertilizer, chemicals, and other production systems needed to replace fossil fuels is enough to raise the question over whether it even makes sense to replace fossil fuels with biofuels – fuels that, are still carbon based and will still release GHGs when burned.

The incentive is, in part, based on assessing the fuels for their "aggregate attributional core lifecycle greenhouse gas emissions." There are many flaws and biases in greenhouse gas (GHG) accounting that cause plant-based (biomass/biofuels) and waste-based feedstocks to be assumed to be "carbon neutral," even though there is a credible scientific debate over this controversy going for over two decades. Some of the science shows biofuels such as corn-based ethanol to consume more fossil fuels than they displace. The very existence of a debate over this shows that the "net energy" of biofuels are close enough to 1:1 that there can even be a scientific dispute over it. If biofuels require about as much fossil fuel (to grow, process, and transport) as they displace, there is no point subsidizing them and building new infrastructure to support a system that is not really an improvement.

Sustainable Aviation Fuel does not exist: There is no clean or sustainable way to produce a burnable fuel from raw resources and turn it into air pollution when burned. It is inherently not sustainable or circular. There is one approach that comes close to being sustainable or circular, and that is the approach advanced by Feather Fuels (for disclosure, this is a company associated with this bill's prime sponsor) and by Twelve Benefit Corporation, one of the companies testifying in favor of this bill. That involves using wind or solar electricity to pull carbon dioxide out of the air, and to also electrolyze water to obtain hydrogen, then use Fischer-Tropsch

gas-to-liquids technology to turn the carbon dioxide and hydrogen into a burnable hydrocarbon fuel. This combination of very expensive and energy intensive technologies is rather experimental and has not been done at scale. It could be good to experiment with and prove up as a technology that could make sense in 20 years, but it makes no sense to use clean wind and solar energy on this approach, when wind and solar can decarbonize things much faster and more efficiently if used to replace the burning of oil, biofuels, trash, and trees in the state's electric grid, and then to eliminate oil and gas in transportation by electrifying that sector. More on this not being the right time below.

Toxicity concerns

The bill does nothing to ensure that waste-based fuels are not used. There are plans to gasify construction and demolition debris to make burnable aviation fuels on O'ahu. This is part of an array of experimental incinerator-like technologies that aim to convert waste into fuels. These waste-to-fuels (WTF) technologies usually start with pyrolysis or gasification – technologies that, when the resulting gases are burned, are defined and regulated by EPA as municipal waste combustors (waste incinerators). Typically, these two-stage technologies will replace the second stage (burning the gases) with a liquefaction stage, to make liquid fuels to be burned elsewhere. This is known as Fischer-Tropsch gas-to-liquids technology, named after the two German scientists who developed the ability to make oil from coal by gasifying, then liquefying it. It was first used by Nazi Germany, then by South Africa's Apartheid regime.

These are toxic and dangerous technologies that are experimental and often fail both technically and economically. When fuels are burned off-site in land vehicles or for air travel, they are not subject to the sorts of air pollution controls that can be applied to a centralized facility with a single smokestack. Even when such a facility burns the gasified waste on-site with the full complement of air pollution control devices, waste incineration is still [dirtier](#) than burning coal for the climate as well as for most other air pollutants. This is even *with* all four air pollution control systems that waste incinerators should have (note that H-POWER's two older burners are missing half of these four control systems, though their third burner has all four).

Unlike coal, construction and demolition (C&D) waste is very heterogenous, which can be comprised of steel, concrete, brick, lumber, plaster, empty paint cans, asphalt, wire, shingles, and much more. Pyrolysis and gasification technologies do not work well on heterogenous fuels. They break down constantly and operate only in batches. These finicky technologies require very homogenous fuels. Even those trying to process scrap tires fail repeatedly, because tires are not homogenous enough for pyrolysis. Even the nation's top cheerleader for tire burning, a spokesperson for the Rubber Manufacturers Association, once stated that "scores of start-ups have tried and failed to make money from tire pyrolysis. The road is littered with the carnage of people who were trying to make this technology viable."

These technologies also have been unable to operate at commercial scale, usually relegated to unregulated garage-scale pilot projects that go nowhere. This trend has led the nation's leading incinerator-promoting solid waste consulting outfit, GBB, to classify the technology as "high" risk – because, as they present to waste industry conferences, of "previous failures at scale, uncertain commercial potential; no operating experience with large-scale operations" (pyrolysis) and "limited operating experience at only small scale; subject to scale-up issues" (gasification).

Hawai'i has been targeted in recent years by quite a few fly-by-night companies aiming to cash in on state and federal subsidies to satisfy the desire for sustainable aviation fuels while making waste streams go "away."

Companies like Aloha Carbon and Yummet prey upon uninformed public officials who don't have time to research the track record of this industry, the toxic hazards associated with it, or the better alternatives available.

As far as the toxic hazards go, please see this heavily-cited (92 footnotes) six-page overview I wrote on the toxic pollution issues associated with construction and demolition (C&D) waste incineration: <https://www.energyjustice.net/incineration/cd.pdf> While the paper focuses on direct incineration, many of the same principles apply, as the high temperature processes used in WTF technologies still release toxic metals while producing new toxic pollutants such as [dioxins and furans](#), the most toxic chemicals known to science.

C&D waste contains many toxic ingredients. There are chlorine sources in wood treatment chemicals like pentachlorophenol, and in PVC plastics in C&D waste. Painted wood can contain lead and mercury, while treated wood can contain other toxic metals, namely arsenic, chromium, and copper. [Testimony](#) on the House companion bill from the Hawaii Natural Energy Institute (on page 41 of the testimony packet), affirms high levels of arsenic, chromium and lead in C&D waste, with arsenic concentrations 200 times higher than clean wood. Their research also shows high levels of hydrochloric acid, copper and zinc from C&D waste, but doesn't point out a significant conclusion about this – that numerous [published studies](#) show that copper and zinc serve as catalysts for dioxin formation. [Dioxins](#) are the most toxic chemicals known to science and are formed in processes like those used to make these “sustainable” aviation fuels, where you have hydrocarbons, halogens like chlorine, and medium-high temperatures that are perfect for dioxin formation. These ultratoxic chemicals rapidly bioaccumulate and concentrate in meat and dairy products where 92% of human exposure comes from. Even if these emissions are blown out to sea, they concentrate and come back in the form of seafood.

Not the right time

Prioritizing Conservation and Efficiency

Transportation fuels should first be tackled by prioritizing a reduction in the need for unnecessary travel, then more efficient transportation. After prioritizing these, electrifying transportation is the best solution so that combustible fuels can be avoided entirely. Any system that relies on extraction of resources, burning them up, polluting the air, and having to dispose of wastes is not sustainable. For long-distance flights where electrification may not become possible, perhaps hydrogen has a role, but not until the electric grid is cleaned up and we have *extra* wind and solar available for truly green hydrogen production.

No Such Thing as Transition Fuels

Burnable fuels are not a long-term option, as they are not clean or sustainable, no matter whether they're “biofuels” or waste-based. Any such move is in-between the present and the arrival of clean, non-burn options. Such fuels are often called “transition” fuels. However, the concept of a transition fuel is that we can go from A to B to C, as if B helps us get to C. However, transition fuels have different infrastructure and their own economic weight that causes them to stand in the way of a future transition to clean options.

By the time we finish transitioning the energy sectors that we have clean, non-burn solutions for, long-distance air travel will probably have viable solutions we can focus on to complete the job. However,

investments in “differently bad” fuels are an economic investment dead-end, requiring another transition later, wasting time and money needed to do the proper transitions in other energy sectors. In fact, the notion of “transition” fuels is a false one, since it entails investing in infrastructure that could last for 30+ years. No company developing so-called “transition” infrastructure, and trying to amortize their investment, is going to step aside in 5-10 years when something cleaner comes along. They’re going to fight to stop the transition to cleaner options to protect their investment. In this sense, it’s dangerous to steer resources into false solutions such as waste-based burnable transportation fuels.

Prioritizing the Energy Sectors That Have Clean Alternatives

There are [three sectors of energy consumption](#): electricity, transportation, and heating. Transportation can be broken down into land, sea, and air. Heating is broken down in federal energy reporting as industrial, residential, and commercial/institutional sectors of use.

Just as there are preferable non-burn solutions for every waste management need, there are clean non-burn solutions for nearly every energy sector, though long-distance commercial passenger aviation is not there yet.

Cleaning up these energy sectors should start with solutions we already have, without trying to solve the most unsolvable sector by replacing one type of burnable fuel (petroleum-based aviation fuel) with differently bad burnable fuels (crop-based biofuels) or even more hazardous types of burnable fuels (waste-based fuels).

Since the way to clean up the transportation and heating sectors is to electrify them so that they can run on wind and solar without burning anything, it’s critical to clean up the electricity sector first, and faster, since electricity demand will grow as the other energy sectors are electrified. Electricity production is easiest to fully transition to non-burn technologies – mainly solar and wind with energy storage, which are becoming the cheapest options over time. The state’s renewable portfolio standard (RPS) aims to transition the electricity sector to “renewable” sources by 2045, but still counts some combustion sources as renewable – the worst of them being solid fuel combustion (burning of trash and trees). [SB 680](#) aims to clean up the RPS starting by removing solid fuel combustion sources, which will speed up the implementation of solar, wind, and energy storage.

The heating sector is dominated by industrial heating, which is increasingly possible to electrify, while residential and commercial space heating and cooking needs are easily electrified. Electric stoves and heat pumps for space heating can be incentivized.

The transportation sector is easily electrified for land-based travel. International shipping is now possible with [electric ships](#) (see also [here](#) and [here](#)). The hardest sector to make non-burn is long-distance air travel, though inter-island air travel can now be electrified with [sea gliders](#), as Hawaiian Airlines has been exploring.

While waiting for good non-burn solutions to powering long-distance air travel, let’s focus where we have good alternatives:

- 1) end combustion in the electricity sector, which is mostly oil in Hawai‘i, but also some burning of trash, trees, and biofuels; replace with conservation, efficiency, solar, wind, and energy storage.

- 2) electrify any heating needs... most use is industrial sector, but also help transition residential or commercial sectors where cooking and space heating is done with combustible fuels (mainly gas made from oil).
- 3) end combustion use for land-based vehicles by reducing vehicle use, having better (and fare-free) electrified public transit, and electrifying other land vehicles.
- 4) replace inter-island air travel with electric sea gliders, and electrify shipping, which is now possible.

The 2024 *Navahine F. vs. Hawaii Department of Transportation* settlement requires that the state come up with a plan to reach zero emissions in the transportation sector, which requires doing the same in the electricity sector. This bill would violate that requirement by advancing carbon-based fuels instead of investing in the transition needed in the electricity and (certain) transportation sectors to decarbonize properly and in the right order.



Date: February 12th, 2025

To: Chair Daniel Holt, Vice Chair Rachele Lamosao, and Members of the House Committee on Economic Development and Technology,
From: Hawaii Environmental Change Agents (HECA) - Solid Waste Reduction Task Force
Re: HB 976- RELATING TO RENEWABLE FUEL

Aloha Chair Holt, Vice Chair Lamosao, and Committee Members,

I respectfully request **an amendment to HB 976 to remove aviation fuel subsidies and strike municipal solid waste, industrial waste, and construction and demolition (C&D) waste as eligible renewable feedstocks.**

Using toxic waste to create liquid fuels is not a sustainable or responsible energy solution for Hawai'i. The state should prioritize truly clean, combustion-free energy alternatives rather than subsidizing a refinery to process questionable feedstocks that could increase pollution and harm public health.

Additionally, there is neither sufficient land nor water in Hawai'i to produce local biofuels at scale, meaning most of these subsidies would ultimately flow to out-of-state suppliers and the oil refinery rather than benefiting local agriculture or energy independence.

Please amend HB 976 to focus on sustainable, community-driven energy solutions that do not rely on waste-based fuels or harmful subsidies.

Mahalo for your time and consideration.

~HECA Solid Waste Reduction Task Force
Jennifer Navarra

HB-976-HD-1

Submitted on: 2/11/2025 11:27:47 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Robert Culbertson	Individual	Oppose	Written Testimony Only

Comments:

Aloha Representatives and committee members!

I oppose HB 976 HD1 as it would promote turning construction and demolition (C&D) waste, and so called "biomass" into liquid fuels to burn in airplanes. This is a filthy fuel and would only support toxic projects like Aloha Carbon (seeking permits to gasify C&D waste in Campbell Industrial Park in Kapolei) and Yummet (also aiming to process C&D and other biomass and wastes, largely targeting Big Island and Maui).

Mahalo for your time,

R A Culbertson

Honokaa

HB-976-HD-1

Submitted on: 2/11/2025 11:50:48 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Gene Harrington	Biotechnology Innovation Organization	Support	Written Testimony Only

Comments:

The Biotechnology Innovation Organization (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 support HB 976.

This bill is an important piece of renewable energy legislation that can help diversify Hawai'i's economy, protect the environment, combat climate change, and strengthen Hawai'i's position as a leader in a national transition to clean fuels. Mahalo for the opportunity to testify.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX; Establish Sustainable Aviation Fuel Import Tax Credit; Expand Renewable Fuels Production Tax Credit

BILL NUMBER: HB 976

INTRODUCED BY: LOWEN, EVSLIN, ICHIYAMA, KAHALOA, KEOHOKAPU-LEE LOY, KILA, KUSCH, LA CHICA, MARTEN, PERRUSO, POEPOE, QUINLAN, TARNAS, TODD

EXECUTIVE SUMMARY: Establishes the sustainable aviation fuel import tax credit. Increases the renewable fuels production tax credit amount. Repeals the: (1) cap amount of claimable renewable fuels production tax credit; (2) requirement that the tax credit be claimed for fuels with lifecycle emissions below fossil fuels; and (3) prohibition on claiming other tax credits for the cost incurred to produce renewable fuels. Specifies that the renewable fuels production tax credit can only be claimed for fuels that meet the certain thresholds. Adds an additional tax credit value. Clarifies that a taxpayer who previously claimed a renewable fuels production tax credit may claim another one for taxable years beginning after 12/31/2024. Clarifies and expands required information in the certified statement for the tax credit. Repeals the requirement that the Hawaii State Energy Office provide the taxpayer with a determination of whether the lifecycle greenhouse gas emissions for each type of qualified fuel produced is lower than that of fossil fuels.

SYNOPSIS: Adds a new section to chapter 235, HRS, to provide for a sustainable aviation fuel import tax credit. The credit amount per taxpayer importing sustainable aviation fuel into the State is to be \$1 per gallon importing for distribution in the State, provided that the fuel meets the lifecycle greenhouse gas emissions reduction threshold.

Specifies that the credit is determined at the entity level and may be allocated to partners, S corporation shareholders, or trust beneficiaries following section 704(b) of the Internal Revenue Code.

No later than 30 days following the close of the taxable year, a taxpayer intending to claim this credit is to submit relevant information to the Hawaii State Energy Office and obtain certification from that office. That certification is to be filed with the taxpayer's income tax return.

An aggregate cap is established for the credit as follows:

Calendar Year(s)	Aggregate Cap
2025	\$ (unspecified)
2026	\$ (unspecified)
2027	\$ (unspecified)
2028	\$ (unspecified)
2029 to 2036	\$ (unspecified)

If the credit claims under this section exceed the total credits allowed for all eligible taxpayers in any given calendar year, the total credits allowed shall be allocated proportionally to each eligible taxpayer in proportion to the amount of such taxpayer's credits under this section for the calendar year.

To the extent that a taxpayer's credit claim is reduced because of the aggregate cap, the amount of the reduction shall be available to the taxpayer to be used as a credit in the next subsequent calendar year but shall not be carried over for any calendar year thereafter; provided that the carryover credit is subject to the aggregate cap for the year to which it is carried.

The taxpayer is to provide written notice of intention to begin import of renewable fuels to the Department of Taxation and the Energy Office prior to the start of importation.

The taxpayer is to provide another written notice to the Department of Taxation and the Energy Office within 30 days following the start of importation.

Information received by the Energy Office is to be made publicly available.

The credit is nonrefundable but may be carried forward until exhausted. A taxpayer is also given an election to make the credit refundable by giving up 30% of it.

All tax credit claims shall be filed before the end of the 12th month following the close of the taxable year for which the credit may be claimed, upon pain of waiver of the right to claim the credit.

Amends section 235-110.32, HRS, regarding the fuel production credit. The amount of the credit is changed from 20 cents to 35 cents per 76,000 BTU of fuel imported, provided:

- (1) The taxpayer's production of renewable fuels is not less than 2.5 billion BTU of renewable fuels per calendar year;
- (2) The tax credit shall only be claimed for fuels that meet the lifecycle greenhouse gas emissions reduction threshold and product transportation emissions threshold;
- (3) There shall be an additional credit value of \$1 per diesel gallon equivalent for low lifecycle emissions renewable fuels; and
- (4) There shall be an additional credit value equal to \$1 per gallon if the renewable fuel is sustainable aviation fuel.

The \$3.5 million per taxpayer limit on the credit is removed. The aggregate cap on the credit is changed from \$20 million to:

Calendar Year(s)	Aggregate Cap
2025	\$ _____ (unspecified)
2026	\$ _____ (unspecified)
2027	\$ _____ (unspecified)
2028	\$ _____ (unspecified)
2029 to 2036	\$ _____ (unspecified)

If the credit claims exceed the total amount allowed for all eligible taxpayers in any given calendar year, the total amount allowed shall be allocated to eligible taxpayers in proportion to the total amount of renewable fuels production tax credits for the calendar year. No taxpayer shall be eligible for more than 75% of the total amount allowed in any year. The total aggregate amount of additional credit value for sustainable aviation fuel shall not exceed 50% of the total aggregate amount of renewable fuels production tax credits allowed in any year.

If the above limitations reduce the amount of a taxpayer's credit, the amount of the reduction shall be available to the taxpayer to be used as a credit in the subsequent calendar year; provided that the credit shall not be carried over for any calendar year thereafter, and that the carryover credits are subject to the overall limitations for the year to which they are carried.

Although related taxpayers are not eligible for more than a single credit per credit period (10 years under prior law), taxpayers who previously claimed a fuel production tax credit under prior law may claim another tax credit for taxable years beginning after December 31, 2024, under the law as amended.

EFFECTIVE DATE: Taxable years beginning after December 31, 2024. Credit is repealed on January 1, 2036.

STAFF COMMENTS: Act 202, SLH 2016, enacted a renewable energy production credit with a five-year life. The credit sunset on December 31, 2021. The credit was revived by Act 16, SLH 2022 with an aggregate cap of \$20 million.

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.

We also have technical comments, as follows:

1. The bill requires that when the aggregate cap is exceeded, all tax credit claims are prorated so that the aggregate cap is met. This is perhaps fairer to the various participants, but may not be administrable because the certifying agency will not be able to certify any credits until ALL credit claims are in the door.
2. The bill states that a taxpayer must apply to the HSEO for the credit within 30 days following the close of the calendar year. That means the taxpayer must fill in the form

Re: HB 976 HD 1
Page 4

AND a third party needs to audit or otherwise verify the numbers within that 30 days.
We wonder whether that time frame is achievable.

Digested: 2/11/2025

HB-976-HD-1

Submitted on: 2/12/2025 6:24:39 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Erin moncada	Individual	Oppose	Written Testimony Only

Comments:

Please save our age lands for critical food security by opposing this dirty fuel bill.