

ACT 143

S.B. NO. 3077

A Bill for an Act Relating to Biofuels.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the State of Hawaii has set a goal of achieving one hundred per cent clean energy by the year 2045. Hawaii is the most fossil fuel dependent state in the nation, which can be explained in large part by the State's economic dependence on tourism and the military, as well as the reliance on the shipping industry to deliver consumer goods and industrial materials. Reducing Hawaii's reliance on fossil fuels and getting one hundred per cent of the State's energy from renewable resources will help Hawaii's economy

by keeping an estimated \$3,000,000 in the State that would otherwise be spent on imported oil.

Biofuels could significantly advance the State's clean energy goals. Biofuels use organic matter to produce a predictable supply of green energy that can be stored in presently used power plants and consumed locally by air, marine, and ground transportation. Additionally, biofuels can be locally produced, directly creating job growth in Hawaii's energy, farming, and manufacturing industries. In May of 2016, the sustainable biodiesel alliance provided a Pacific Biodiesel plant with the first United States-based certification of sustainability for a biodiesel plant. This certification demonstrates that investing in biofuel technology can lead to increases in the technology's efficiency, profitability, and sustainability as a renewable energy source.

Act 202, Session Laws of Hawaii 2016, created a nonrefundable tax credit for the production of renewable fuels, including biodiesel, to be implemented through 2021. According to Pacific Biodiesel President Robert King, Act 202, Session Laws of Hawaii 2016, will encourage investment in renewable fuel production in Hawaii, create jobs, provide clean energy security, and fight climate change. In 2017, the legislature unanimously adopted S.C.R. No. 121, Regular Session of 2017, calling for a Hawaii green fuels initiative to increase jobs and local food and biofuel feedstock production across the State.

Furthermore, increasing biofuel production may increase food security for Hawaii. Currently, nearly ninety per cent of Hawaii's food is imported, making Hawaii's population especially vulnerable to shipping and food supply disruptions resulting from natural disasters and other global events. Research conducted by the World Bank in 2010 and ABF Economics in 2013 found no direct correlation between biofuels and elevated food prices. Therefore, investing in biofuel production can improve agricultural development and crop yields that are important to Hawaii's food security without increasing costs for consumers.

The purpose of this Act is to expand the availability of the renewable fuels production tax credit by lowering the production threshold and expanding the types of renewable fuel eligible for the credit.

SECTION 2. Section 235-110.31, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

“(a) As used in this section:

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

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

“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 residues;
- (3) Oil crops, including but not limited to algae, canola, jatropha, palm, soybean, and sunflower;
- (4) Sugar and starch crops, including but not limited to sugar cane and cassava;
- (5) Other agricultural crops;
- (6) Grease and waste cooking oil;
- (7) Food wastes;
- (8) Municipal solid wastes and industrial wastes;

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- (9) Water; and
 - (10) Animal residues and wastes,
- 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 Hawaii; and
- (2) 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; [ø]
 - (F) Renewable jet fuel or renewable gasoline[-]; or
 - (G) Logs, wood chips, wood pellets, or wood bark.”

2. By amending subsection (b) to read:

“(b) 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 five-year credit period shall be equal to 20 cents per seventy-six thousand British thermal units of renewable fuels using the lower heating value sold for distribution in Hawaii; provided that the taxpayer’s production of renewable fuels is not less than ~~fifteen~~ 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 \$3,000,000 per taxable year. No other tax credit may be claimed under this chapter for the costs incurred in producing the renewable fuels that are used to properly claim a tax credit under this section for the taxable year.”

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

SECTION 4. This Act shall take effect upon its approval; provided that section 2 of this Act shall apply to taxable years beginning after December 31, 2017.

(Approved July 5, 2018.)