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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Monday, March 21, 2022
2:00 PM
State Capitol, Conference Room 329 & Videoconference

**SUPPORT
SB 2478, SD2, HD1
RELATING TO TAXATION.**

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 2478, SD2, HD1, which reinstates the renewable fuels production tax credit.

Renewable fuels have the potential to provide local jobs and economic benefits in both the energy and agricultural sectors; support the production of value-added products; and provide a measure of energy self-reliance for Hawai'i.

HSEO managed the certification of the previous renewable fuels production tax credit¹ and appreciates the changes to the bill made by the previous Committee to facilitate administration of the credit. SB 2478, HD1, includes provisions for the taxpayer to provide an independent third-party certified statement, establishes deadlines for steps in the certification process, and establishes a process to be followed in the event the cap is exceeded in any given year.

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

It is HSEO's understanding that SB 2478, HD1 would limit the eligibility of any taxpayer for the credit to within a ten-year period following the start of renewable fuel production of at least fifteen billion Btu per year.²

HSEO notes that many years ago, the early precursor to this credit was an ethanol facility investment credit. At that time, there were many companies stating an intent to construct ethanol production facilities; the requirements to provide advance notice of intent to construct, followed by a notice of fuel production, were intended to enable the posting of a public list of the number of potential producers and the volume of production potentially eligible for the tax credit.³ This appears to be the basis for the advance notice provisions in SB 2478, HD1 (page 4, lines 4-18). As the confidentiality requirements of SB 2478, HD1 (page 7, lines 12-20 and page 8, lines 1-15) would prohibit the posting or release of fuel producer information, it may be desirable to simplify the notice provisions to align with the new requirements.

HSEO also notes that the confidentiality provisions would require withholding data from taxpayers as well as the Legislature in the event that fewer than three taxpayers produced the same type of fuel in any given year.⁴

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

Thank you for the opportunity to testify.

² Fifteen billion Btu is the energy content of about 115,000 gallons of low sulfur diesel (using an approximate lower heating value (LHV) of 130,000 Btu/gallon); about 125,000 gallons of biodiesel (at 120,000 Btu per gallon LHV), about 200,000 gallons of ethanol (at 76,330 Btu per gallon LHV); or 290,000 pounds of hydrogen (using a LHV of 51,585 Btu per pound).

The \$3 million cap could subsidize the production of the equivalent of about 15 million gallons of ethanol or 9 million gallons of biodiesel. For more information, see [Fuel Properties Comparison](#).

³ Act 289, session Laws of Hawai'i 2000, paragraphs (f) and (g), "[This information shall be available for public inspection and dissemination](#)."

⁴ An example of data being withheld in the case of too few market participants to be able to maintain confidentiality, see <https://www.eia.gov/petroleum/marketing/monthly/pdf/pmmall.pdf#page=15>, "W = Withheld to avoid disclosure of individual company data."