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Testimony of
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before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

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**SUPPORT
SB 3337 SD2
RELATING TO THE ECONOMY.**

Chair Quinlan, Vice Chair Holt, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 3337 SD1, which establishes a public policy framework that addresses state goals in the areas of economic disaster mitigation and economic diversification; appropriates moneys to the Department of Business, Economic Development, and Tourism (DBEDT) to implement specific projects that address those goals; requires DBEDT to submit annual reports to the Legislature summarizing project outcomes, including an assessment of each project's effectiveness in achieving those goals; and appropriates funds to staff the Hawaii Center for Advanced Transportation Technologies.

Act 122 in 2019 established HSEO as an agency attached to DBEDT with a mission to transition Hawai'i to a resilient, clean energy economy through the promotion of energy efficiency, renewable energy, and clean transportation. HSEO works closely with DBEDT and other state and county agencies, businesses, labor organizations, and communities to develop policies, programs, and projects to accomplish this mission. The collaboration with the Legislature and development of the policy matrix called for in the bill will assist HSEO in these efforts.

HSEO would like to offer for the Committee's consideration two items to further the purpose of import substitution as described in Section 2(a)(4) in the SD1 version of the bill:

- \$10 million to fund the Sustainable Aviation Fuel program in the Hawai'i Technology Development Corporation (HTDC) as established in [Act 180, Session Laws of Hawai'i \(SLH\) 2021](#).
- \$5 million to accelerate the state fleet transition to zero emission vehicles as set forth in [Act 74, SLH 2021](#).
- \$2 million to install a public-facing hydrogen fueling station on Oahu.

The Sustainable Aviation Fuel program established in HTDC is currently unfunded. Act 180, SLH 2021, authorized HTDC to provide matching grants to any small business developing products related to sustainable aviation fuel or greenhouse gas reduction from commercial aviation operations. These grants can support business development, technology development, engineering, and research toward sustainable aviation fuel production, airborne operations fuel efficiency, ground support equipment fuel replacement and fuel efficiency, and operational improvements to reduce overall jet fuel consumption. All of these activities involve a high-skilled workforce and promote economic diversification.

Moreover, nearly one-third of the energy consumed in Hawai'i is for jet fuel, the majority of which comes from imported crude petroleum refined in state. Advancing sustainable aviation fuels would reduce Hawai'i's reliance on imported oil, further keeping dollars at home instead of supporting hostile governments around the world and exacerbating climate change. HSEO is aware of several businesses exploring sustainable aviation fuel options for Hawai'i. Funding this program would be an important market signal that Hawai'i supports this type of innovation and energy security. Funding at the requested amount would position the State to be able to support at least two different qualified proposals and possibly three or more.

Act 74, SLH 2021, established a goal for the State to transition the State's light-duty passenger cars to 100% zero emission vehicles by 2030 and all light-duty motor

vehicles by 2035. HSEO estimates \$5 million would advance the State's goal by 10 percent. The State, through the Department of Transportation, currently has a contract in place to lease zero emission vehicles and charging/fueling infrastructure as a service. This arrangement saves the State operational and capital improvement project dollars, in turn saving taxpayers money. Further, this positions the State to lead by example in the broader transition to zero emission vehicles, reduces reliance on imported gasoline and crude oil, and improves energy security.

An additional consideration for accelerating vehicle conversion would be using the funds to help install a public-facing hydrogen fueling station on O'ahu. Hydrogen fueling stations cost approximately \$2 million. Currently, O'ahu has an alternative fuel corridor for electric vehicles, but does not for hydrogen because the federal requirement for designation of a hydrogen alternative fuel corridor requires at least two hydrogen charging stations, whereas O'ahu currently only has one.

Under the federal Infrastructure Investment and Jobs Act (IIJA), support for zero emission vehicle fueling stations is conditioned on having alternative fuel corridors. Funding the installation of a public-facing hydrogen fueling station would enhance Hawai'i's competitiveness for hydrogen-related competitive funding grants.

Appropriating monies to DBEDT for these specific projects would further align the State with becoming a resilient, clean energy, knowledge-based, zero-emission, digital economy while putting Hawai'i on the path toward more economic prosperity by keeping local dollars home instead of being exported to import fossil fuels.

HSEO defers to the appropriate agencies on the administrative requirements in the bill.

Thank you for the opportunity to testify.