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Testimony of SCOTT J. GLENN, Chief Energy Officer

before the HOUSE COMMITTEE ON FINANCE

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COMMENTS SB 2511, SD2, HD1 RELATING TO TAXATION.

Chair Luke, Vice Chair Yamashita, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on SB 2511, SD2, HD1, which expands the renewable energy technologies income tax credit to include firm renewable energy systems, caps the total amount of tax credits for each firm renewable energy system at \$750,000, and sunsets the credit on December 31, 2045.

To the extent that taxes and tax credits express the desire of the Legislature to encourage, discourage, or accelerate the accomplishment of state objectives, it is appropriate to adjust incentives for certain renewable energy capabilities such as a desired level of availability and dispatchability (e.g., "firm") in the Renewable Energy Technologies Income Tax Credit. HSEO supports the use of tax credits as an important tool to achieve the State's energy goals.

HSEO appreciates that in SB2511, HD1, "renewable energy" is defined and refers to the definition of renewable energy contained in [Section 269-91](#), Hawai'i Revised Statutes.¹

¹ "Renewable energy" means energy generated or produced using the following sources: (1) Wind; (2) The sun; (3) Falling water; (4) Biogas, including landfill and sewage-based digester gas; (5) Geothermal; (6) Ocean water, currents, and waves, including ocean thermal energy conversion; (7) Biomass, including biomass crops, agricultural and animal residues and wastes, and municipal solid waste and other solid waste; (8) Biofuels; and (9) Hydrogen produced from renewable energy sources. In the same section, "Biofuels" means liquid or gaseous fuels produced from organic sources such as biomass crops, agricultural residues and oil crops, such as palm oil, canola oil, soybean oil, waste cooking oil, grease, and food wastes, animal residues and wastes, and sewage and landfill wastes.

HSEO notes that a “firm” generation facility (such as a generator that burns fuel) can, if combined with a system that uses energy available on-site, operate for a longer period in the event of a fuel shortage than one that is purely dependent on receipt of shipments of fuel. In periods of normal operation, fuel supplies last longer when supported by energy production by wind and solar (with batteries firming and smoothing energy output). Therefore, hybrid systems can also meet the definition of “firm.”

HSEO notes that the effects of the minimum size threshold on the use of the credit, or on project sizing, are unknown.

HSEO defers to the appropriate agencies for implementation and fiscal impact.

Thank you for the opportunity to testify.