



HAWAII
BioEnergy

Testimony before the Hawai'i State Legislature on SB2764
January 31, 2008

My name is Brian Orlopp and I represent Hawai'i BioEnergy LLC.

Thank you for the opportunity to share our position on SB2764 with the Hawai'i State Legislature. As residents of Hawai'i and members of the business community, we are deeply concerned with issues of climate change and energy security and believe that our state can and should become a green energy leader. This bill will make a significant contribution to reaching that goal.

Green energy presents an opportunity to reduce our heavy dependence on imported oil, to address our unique exposure to the risks of climate change, to revive our agriculture sector and preserve green space, to create new and better jobs, and to become a leader in tropical bio-energy and an incubator of next generation technologies. Hawai'i has the natural, human, technological and capital resources to achieve green energy leadership.

Our state has already demonstrated its commitment to the development of green energy with its 20% renewable energy target and E10 mandate, but this has not resulted in significant investment in the sector. It is vitally important that the Hawai'i State Legislature expand on these measures to create a legal and regulatory environment that fosters our state's capacity to grow and lead in green energy.

There is no ethanol produced today in Hawai'i. What this means for our state is \$96 million in ethanol imports from foreign markets to meet the E10 standard, 13,000 tons of CO2 emissions from shipping, \$12.5 million and 15,000 tons of CO2 emissions for the 160,000 barrels of oil for the power sector, the forfeit of 2000 jobs and \$500 million in economic activity, agricultural lands that remain unproductive and under threat, and fuel and electricity costs among the highest in the country.

SB2764 directly addresses a primary impediment to investment in ethanol production by increasing our production incentive to reward efficiency and reflect the true demand in our market. Eligibility for the incentive is limited today to ethanol plants between 500,000 gallons and 15 million gallons in capacity and only to producers that contribute the first 40 million gallons of ethanol in the state.

To be competitive with imports, ethanol production in Hawaii must capture every possible efficiency. The minimum efficient scale for ethanol facilities is approximately 25mg (million gallons per year). This is the smallest standard size of ethanol plant components, which means that limiting the scale of the nameplate capacity could have implications on accessing the best technology.

The bill would remove the overall limit on production credit. The 40mg limit was based on a static calculation of E10 demand using 2004 gasoline consumption in Hawaii. By 2012, when the production credit expires for new facilities, E10 demand will reach 55 million gallons, according to state government projections, and this does not consider a possible expansion of the market through the introduction of E85 or alternate uses for ethanol outside of the transport sector.

Finally, SB2764 would allow for facilities in production by 2017 to receive the credit. This extension is of critical importance to accommodate the extended permitting process involved in the development of sustainable agro-energy projects in our state.

We are grateful for the opportunity to voice our support for SB2764 and look forward to contributing to the development of green energy leadership in Hawai'i.