

HB 1197

RELATING TO ALCOHOL FUELS

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Chair Morita and Members of the House Committee on Energy and
Environmental Protection:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on HB 1197,
“Relating to Alcohol Fuels”.

SUMMARY

As proposed, HB 1197 recognizes the importance of locally produced renewable energy by specifying that the alcohol fuel excise tax exemption included in HRS Section 237-27.1 be applicable to locally produced ethanol when available. While HBE supports the intent of HB 1197 to encourage the development of locally produced renewable fuel sources, HBE recognizes the State’s current budget issues. Given the importance to Hawaii of developing locally produced renewable fuel sources, HBE recommends that if the current exemption will need to be cut back, that rather than eliminating it in total, that the more appropriate action would be to limit the exemption to ethanol only and not the total blended fuel (both gasoline and ethanol)

RENEWABLE ENERGY PROJECTS IN HAWAII

Hawaii BioEnergy is a local company with a mission to help Hawaii toward a sustainable energy future through the production of biofuels from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii who

control in total over 430,000 acres of land. HBE and its partners would like to use significant portions of their land to address Hawaii's energy needs. Since its inception in 2006, HBE has been researching various biofuels alternatives to clearly evaluate each biofuel's relative suitability and sustainability based on Hawaii's natural resource base, climate, market and infrastructure.

One of those biofuel alternatives which HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae. Preparations have been underway for many months and facilities to conduct on-site research and development are expected to be in place before this legislative session is done. Algae not only offers Hawaii the benefit of developing a locally produced fuel source, but it also benefits the agriculture industry by providing proteins for animal feed, fertilizers and other locally produced products.

HBE is also currently considering plans to develop locally produced ethanol from sugar cane, sweet sorghum, or other crops that can be processed into ethanol. The production of ethanol in Hawaii will provide its residents with better energy security, create a significant number of jobs, reduce the burning of fossil fuels, and retain dollars in the State's economy rather than sending them overseas.

ELIMINATION OF THE EXCISE TAX EXEMPTION COULD IMPACT ETHANOL PRODUCTION IN HAWAII

Recognizing the importance to Hawaii of moving away from fossil fuels, the State currently provides for an exemption from excise taxes for fuel blended with ethanol. Currently, the exemption applies to the total blended fuel, not only the ethanol. While it remains important to the State to move away from fossil fuels and to develop its own sources of locally produced renewable fuels. There are bills before this legislature such

as HB 199 that are proposing to eliminate in its entirety the excise tax exemption, for presumably budgetary reasons. HBE believes that it remains important to the State to continue to encourage the development of renewable fuel sources in Hawaii and rather than eliminating the incentive provided by the alcohol fuel excise exemption in total, that it be applied instead to only the alcohol portion of the fuel. This would reduce significantly the amount of excise tax exempted, but still continue the incentive related specifically to ethanol as a renewable fuel and non-fossil fuel.

CONCLUSION

Based on the aforementioned, Hawai'i BioEnergy respectfully requests your support in modifying HB 1197 to continue, at a minimum, the exemption in HRS Section 237-27.1 for the alcohol fuels only and not apply it to the total blended fuel.

Thank you for the opportunity to testify.