

HB 2497

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
HOUSE BILL NO. 2497

March 9, 2010

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

House Bill No. 2497 authorizes the issuance of up to \$40,000,000 in special purpose revenue bonds to assist Carbon Bio-Engineers, Inc., or a partnership in which Carbon Diversion Inc., is a general partner, with the establishment of cogeneration and related energy-production facilities at various locations in Hawaii pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Under Section 144 of the Internal Revenue Code of 1986, as amended, tax exempt financing for industrial projects are limited to \$10 million. We recommend that the project party consult with a bond counsel firm to determine if the project may qualify, under certain exemptions, for the full amount of tax-exempt financing.

CARBON BIO-ENGINEERS, INC.
94-1221 Ka Uka Blvd., Unit 108-317
Waipahu, Hawaii 96797

SB 2926 SD2
FAKED
7-8-10
13 in JEC

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STATE SENATE – REGULAR SESSION 2010
COMMITTEE ON ENERGY AND ENVIRONMENT

March 9, 2010
2:50 PM, Conference Room 225

HB 2497 – RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

Chair Sen. Mike Gabbard, V.C. Sen. J. Kalani English and Committee Members:

Good Afternoon. My name is Dante Carpenter, Secretary on the Board of Directors of Carbon Bio-Engineers, Inc. (CBEI). Carbon Bio-Engineers, Inc. strongly supports HB 2497 Relating to the Issuance of Special Purpose Revenue Bonds to help develop and expand its operations statewide. (Companion is SB 2926, SD2). CBEI is a local Hawaiian company incorporated on October 23, 2009, to replace a previous similar enterprise which became a victim of a hostile takeover in August 2009. Note on page 2, line 16, please delete the word [Diversion] and insert Bio-Engineers for language consistency.

CBEI has developed a hybrid gasification carbonization process which can reduce various organic feedstock and tires (non-fossil fuel) into carbon products and synthetic gas. The CBEI process has a negligible effect on the environment by outperforming the minimum allowed for EPA's Emission Standards.

Moreover, the process epitomizes the Hawaiian Culture's respect for the 'aina and principles of caring for the land – Malama 'Aina – with one of the most sustainable and clean technologies available in the world today. This results in lessened dependency on fossil fuels, landfills, transportation and disposal costs, and can indirectly provide lower priced electrical energy to the grid via local distributed generation.

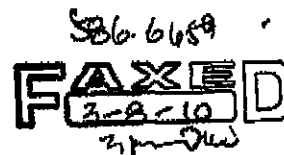
As previously stated, CBEI continues working directly with its associates and DHHL, to engage in essential projects on the Island of Hawaii. These projects will process a range of organic streams from biomass green-wastes to tires and macadamia nut shells, among others. CBEI principals and associates participated in early 2009 in "Ground Breaking Ceremonies" with other Hawaiian Organizations to process the invasive species, known as "gorse," to help clear thousands of acres of infested pasture land in the ahupua'a known as Humu'ula on Mauna Kea. Further, mobility and portability of the process facility equipment allows for maximum flexibility of operations with the least possible negative environmental impact(s) to the surrounding area(s) in which reduction of the various organic feedstock materials are being processed.

In addition to sales of electrical power to the local utilities, the use of thermal fluid output from the cogeneration facility would be utilized by existing and planned businesses for both manufacturing and processing enterprises with economic benefits to the surrounding community. Finally, the use of special purpose revenue bonds does comport with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of HB 2497.

Thank you very much for your consideration.

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Chair Sen. Mike Gabbard, V.C. Sen. J. Kalani English and Committee Members:

Good Afternoon. My name is Michael J. Lurvey, Technical Consultant to and member of the Board of Directors of Carbon Bio-Engineers, Inc. (CBEI). Carbon Bio-Engineers, Inc. strongly supports HB 2497 Relating to the Issuance of Special Purpose Revenue Bonds to help develop and expand its operations statewide. (Companion is SB 2926, SD2). CBEI is a local Hawaiian company incorporated on October 23, 2009, to replace a previous similar enterprise which became a victim of a hostile takeover in August 2009. Note on page 2, line 16 - please change the word "Diversions" to *Bio-Engineers* for correct consistency of names.

CBEI has developed a hybrid system that utilizes Pressure, Pyrolysis, Gasification and Carbonization in a process which can reduce various organic and solid hydrocarbon feedstocks into carbon products and synthetic fuels. The CBEI process has a negligible effect on the environment by outperforming the minimum allowed for EPA's Emission Limits.

Moreover, the process epitomizes the Hawaiian Culture's respect for the 'aina and principles of caring for the land – Malama 'Aina – with one of the most sustainable and clean technologies available in the world today. This results in lessened dependency on fossil fuels, reduction of landfill waste streams, transportation and disposal costs, and can indirectly provide lower priced electrical energy to the grid via local distributed generation.

As previously stated, CBEI continues working directly with its associates and DHHL, to engage in essential projects on the Island of Hawaii. These projects will process a range of organic streams from invasive species, biomass green-wastes, macadamia nut shells, and tires among other wastes. CBEI principals and associates participated in early 2009 in "Ground Breaking Ceremonies" with other Hawaiian Organizations to do control harvesting and processing of the invasive species, known as "gorse." Together we are working to clear thousands of acres of infested pasture land in the ahupua'a known as Humu'ula on Mauna Kea.

These systems are designed to be mobile, portable or stationary, thus giving the project the maximum flexibility to meet its specific requirements and to maximize the projects operations. The system is designed to have as small a footprint as possible with the least possible negative impact to the surrounding area and the overall environment and ecology. Further, the system has been designed to do more than just reduce wastes; it can convert those wastes into value added products mentioned above.

In addition to sales of electrical power to the local utilities, the use of thermal fluid output from the cogeneration facility would be utilized by existing and planned businesses for both manufacturing and processing enterprises with economic benefits to the surrounding community. Finally, the use of special purpose revenue bonds does comport with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of HB 2497. Thank you very much for your consideration.