

Honolulu, Hawaii

March 24, 2011

RE: S.B. No. 146
S.D. 1
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 146, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO BIOFUEL,"

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to work toward expanding the use of biofuels as a viable source of energy in Hawaii by:

- (1) Directing the Department of Business, Economic Development, and Tourism (DBEDT) to conduct a study that includes:
 - (A) An estimate of the projected demand for biofuel in the State and the availability of local biomass feedstock to meet existing and proposed biofuel production;
 - (B) The capacity of any biofuel producer's facilities to produce sufficient amounts of biofuel to meet the projected demand for biofuel;
 - (C) An estimate of the number of gallons of biofuel, broken down by type of biofuel, that can be produced solely from feedstock grown in the State;



- (D) The percentage of transportation fuel sold in the State that could be biofuel-based; and
- (E) Any other relevant information that DBEDT deems necessary;

and

- (2) Requiring DBEDT to report its findings and recommendations to the Legislature no later than 20 days prior to the Regular Session of 2012; provided that the study may be included in the Energy Resources Coordinator's annual report to the Governor and Legislature.

Prior to the hearing, your Committee circulated for review and accepted testimony on a Proposed H.D. 1. As amended, the purpose of the Proposed H.D. 1 is to expand the use of biofuels as a viable source of energy in order to reduce dependence on imported fossil fuels by requiring diesel fuel sold in the State for use in motor vehicles to contain no less than five percent biodiesel that is produced in the State from agricultural products grown in the State.

The Hawaii Carpenters Union and Aina Koa Pono testified in support of this bill. Pacific Biodiesel, Inc., testified in support of the intent of this measure. DBEDT, the Western States Petroleum Association, and Hawaii Renewable Energy Alliance provided comments.

Hawaii is one of the most fossil fuel dependent states in the nation. Expanding the use of biofuels as a viable source of energy will help reduce our dependence on imported fossil fuels and the use of biofuels is consistent with the State's goals relating to renewable energy and sustainability. One way to expand the use of biofuel is to impose a statutory requirement to use biofuels as a form of transportation fuel, particularly biodiesel.

However, your Committee notes the concerns raised by DBEDT that restricting the use of agricultural products for the production of biodiesel fuel to agricultural products grown in the State and specifying diesel fuel sold for use in motor vehicles contain not less than five percent biodiesel by volume may be problematic. Accordingly, your Committee has amended this bill by



adopting the language contained in the Proposed H.D. 1 and by further amending the bill to:

- (1) Stipulate that diesel fuel sold in the State for use in motor vehicles simply contain five percent biodiesel by volume; and
- (2) Specify that the biodiesel used to achieve the five percent content requirement shall be a locally-sourced product that meets or exceeds the American Society for Testing and Materials certification or a product designated by the director through rules adopted in accordance with Chapter 91.

Other technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 146, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 146, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



DENNY COFFMAN, Acting Chair



