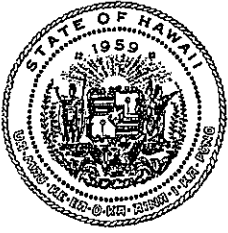


SB 1244



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

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Statement of
RICHARD LIM
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEE ON
ENERGY AND ENVIRONMENT**

Tuesday, February 1, 2011

3:30 PM

State Capitol, Conference Room 225

in consideration of

SB 1244

RELATING TO BIOFUELS.

Chair Gabbard, Vice Chair English, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports the amendments to the renewable energy facility siting process proposed in SB 1244.

The Renewable Energy Facility Siting Process (REFSP) serves to provide funding to State and County permitting agencies for the expeditious processing of all State and County permits and approvals required for qualified renewable energy facilities. We believe expanding the REFSP to include biofuel distribution facilities and biofuel production facilities with capacity to produce 100,000 gallons or more of biofuels annually will facilitate the development of these facilities and help reduce Hawai'i's precarious dependence on imported petroleum.

Under the REFSP, all State and County permits required for eligible renewable energy facilities must be issued – unless otherwise denied by law – within twelve months following final acceptance of the required Section 343, Hawaii Revised Statutes (“Environmental Impact

Statements”), document. To accomplish this, DBEDT and the applicant engage the relevant permitting agencies early in the development stage to identify the necessary permits/approvals and address potential permitting challenges. State and County agencies may seek reimbursement from the applicant for reasonable costs and expenses incurred in connection with providing advice or issuing the required permits within twelve months of HRS 343 document acceptance. A detailed description of the services and costs to be reimbursed is provided to the applicant.

Since approval of the REFSP Administrative Rules in June 2010, DBEDT has been working with State and County agencies and renewable energy developers to refine the mechanics of the REFSP. Currently, only one project has utilized the REFSP: First Wind’s Kaheawa Wind Power II. DBEDT is currently in discussions with many other prospective and current renewable energy facility developers intending to utilize the REFSP.

The State’s utilities will need adequate infrastructure in place to transport, distribute, and store large-scale production of biofuels in Hawai‘i, including its inter-island transport. The inclusion of biofuel distribution infrastructure under the REFSP will significantly expedite the development of such facilities. This should drive the demand for locally produced biofuels.

Given the emergence of the clean energy industry, many biofuel producers will initially construct pilot facilities in Hawai‘i to test their respective technologies and feedstock sources. Pilot-scale biofuel facilities in each County are now in the planning, permitting, and development stages. The inclusion of biofuel production facilities with capacity to produce or distribute one hundred thousand gallons or more of biofuel annually under the REFSP provides them assurance that required State and County permits are issued within a known time period.

Thank you for the opportunity to offer these comments.

SB 1244

RELATING TO BIOFUELS

**JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY, LLC**

FEBRUARY 1, 2011

Chair Gabbard and Members of the Senate Committee on Energy and Environment:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on SB 1244, "Relating to Biofuels."

SUMMARY

Hawaii BioEnergy ("HBE") supports SB 1244 which modifies Section 201N-1, Hawaii Revised Statutes, pertaining to the renewable energy facility siting process to include biofuel production facilities and distribution infrastructure with capacity to produce or distribute one hundred thousand gallons or more of biofuel annually. The proposed reduction of the annual production threshold for qualifying biofuel facilities from one million gallons to one hundred thousand gallons would enable smaller pilot and demonstration facilities to qualify, thereby streamlining processes associated with development and potentially helping to reduce overall costs and timelines.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of their land to address Hawaii's existing and growing energy needs.

One of the biofuel alternatives that HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae, and is already engaged in Phase II of a Hawaii-based, DARPA-funded algae project. Along with providing a local, renewable, and lower-carbon fuel source, expanded algae-based biofuel production will benefit the agriculture industry by providing a local

source of protein for animal feed, fertilizers and other products. In addition to HBE's on-going algae-based biofuel projects, the company is moving forward with plans to develop locally produced high density fuels from sweet sorghum, eucalyptus and/or other dedicated energy crops. The feedstocks and conversion production pathways under consideration hold tremendous potential to displace fossil fuel imports given their relatively low input requirements, exceptionally high yields, and capacity to produce a portfolio of products including liquid fuels for transport and power generation while contributing feed, and other bio-based co-products to the local market.

While Hawaii holds tremendous potential to produce a range of advanced biofuels with a range of locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of development challenges including permitting. The multiple permit requirements and lag times in approvals add additional costs to project development and ultimately slow the scaling process. Lowering the annual production threshold from one million to one hundred thousand gallons to enable smaller-scale pilot and demonstration-scale facilities to be eligible for the renewable energy facility siting process would help to streamline project development and potentially accelerate commercial-scale production in the state by enabling the development of connective, distribution and ancillary infrastructure.

CONCLUDING REMARKS

HBE is moving forward with projects that will help to address Hawaii's energy future and believes that SB 1244 will help to accelerate and expand Hawaii's bio-based renewable energy economy.

Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for SB 1244.

Thank you for the opportunity to testify.