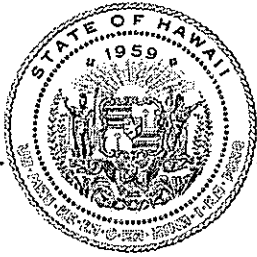


**SB 146**



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

NEIL ABERCROMBIE  
GOVERNOR

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Statement of  
**RICHARD C. LIM**  
**Interim Director**  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEES ON  
ENERGY AND ENVIRONMENT**  
and  
**TRANSPORTATION AND INTERNATIONAL AFFAIRS**  
and  
**WAYS AND MEANS**  
Wednesday, March 2, 2011  
1:15 PM  
State Capitol, Conference Room 211

in consideration of  
**SB 146, Proposed SD1**  
**RELATING TO BIOFUEL .**

Chairs Gabbard, English, and Ige, Vice Chairs English, Espero and Kidani, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 146, Proposed SD1, which would require DBEDT to study the feasibility of expanding the production of biofuels in the State to become a significant source of transportation fuel, and to report to the 2012 Legislature.

We would like to recommend the following modifications.

On page 1, lines 14 and 17, revise “become a significant source of transportation fuel” to “displace a significant amount of petroleum based liquid fuel.” In Hawaii, both transportation and electricity generation are dependent on imported liquid fuels.

On page 2, lines 5-19, revise to read as follows:

- (1) An estimate of the projected demand for biofuel in the State;
- (2) Capacity of existing and proposed biofuel production in the State;
- (3) Availability of local biomass feedstock to meet existing and proposed biofuel production;
- (4) Any other relevant information that the department deems necessary for the purposes of this Act.

We recommend that this report on biofuels be included in the annual Energy Resources Coordinator report prepared by DBEDT for the Governor and Legislature under HRS §196-4(11).

Thank you for the opportunity to offer these comments.



Topa Financial Center, 745 Fort Street Mall, Suite 1603, Honolulu, HI 96813

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS  
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY SUPPORTING THE INTENT OF  
SB 146, SD1 (PROPOSED) RELATING TO BIOFUEL

Testimony of  
CHRIS ELDRIDGE  
Partner, Aina Koa Pono

March 2, 2011, 1:15 p.m.  
Conference Room 211

Chairs Gabbard, English, Ige, and members of the Joint Committee:

Aina Koa Pono ("AKP") supports the intent of SB 146 Relating to Biofuel. AKP is a locally-owned biofuel company which is building a biofuel plant in Ka`u, Hawaii. We recently entered into a power purchase agreement with HECO to produce biodiesel from locally grown feedstock. SB146, SD1 (proposed) requires the Department of Business Economic Development & Tourism to study the feasibility of expanding the production of biofuels in the State to become a significant source of transportation fuel.

A local biofuel industry in Hawai`i can and should be created through the enactment of a "B-10" biofuel requirement. AKP has already acquired agricultural land in Ka`u, designed a biofuel production facility, and signed a contract with HECO for part of the plant's capacity. The Ka`u plant will produce 24 million gallons per year of biofuel, of which only 16 million gallons will be sold to HECO. A B-10 requirement would create a market for the production facility's additional capacity and also spur the development of up to two additional such plants. AKP is prepared to build these facilities. But to finance these plants and kick-start a local biofuel industry in Hawai`i, AKP needs to be able to provide its investors with some assurance that there will be a demand for the biofuel the facilities produce. Only a B-10 requirement will provide this assurance.

There is no doubt that a local biofuel industry is in Hawai`i's best interest. Specifically, a B-10 requirement would:

- **Create Jobs.** A 10% biofuel requirement will create up to 2,400 long-term, high-paying jobs in agriculture and biofuel production for Hawai`i residents in order to meet the demand for 50 million gallons of biodiesel and 500 million gallons of biogasoline.
- **Bring in Outside Investment.** Creating a biofuel industry in Hawai`i will attract foreign investors to Hawai`i; those outside dollars will be spent here, further helping Hawai`i's economy.
- **Ensure Productive Land Use.** The creation of a local biofuel industry will help return Hawai`i's agricultural lands to productive and sustainable use and will help revive the agricultural sector of our economy.

To: Chairs Gabbard, English, Ige, and members of the Joint Committee  
Re: Testimony of Chris Eldridge, SB 146, SD1 (PROPOSED) RELATING TO BIOFUEL  
Hearing: 3/2/11 @ 1:15 p.m., Conference Room 211

Page 2

- **Promote Energy Independence.** Hawai'i is entirely dependent on foreign sources for its gasoline and diesel fuels at present. A B-10 requirement will promote local fuel production. This will give Hawai'i a measure of energy independence and help insulate Hawai'i from fluctuations in the prices of traditional gasoline.
- **Help Achieve Clean Energy Goals.** Just like ethanol, biodiesel and biogasoline burn cleaner than regular diesel fuel and gasoline. Requiring 10% biofuel in gasoline and diesel will keep Hawai'i's skies clean.

. A local biofuel production industry will emerge if a B-10 requirement is enacted. Moreover, automatic repeal provisions can be included in B-10 legislation that would automatically repeal the biofuel requirements if there is not sufficient local production of biofuel.

A B-10 requirement is a no-cost way to spur investment, job creation and economic productivity – all while helping Hawai'i become less dependent on outside sources of fuel. This is an opportunity that Hawai'i cannot afford to lose in these tough economic times and in the face of continued unrest in the Middle East. Hawai'i needs a biofuel industry and a B-10 biofuel requirement is the way to get us there.

In summary, AKP supports studying the feasibility of B-10. Thank you for the opportunity to submit this testimony.