

# HAWAII RENEWABLE ENERGY ALLIANCE

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## TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

### SB 2339 SD1, RELATING TO ETHANOL

February 23, 2012

Chair Ige, Vice-Chair Kidani and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of SB 2339 SD1 is to repeal the requirement that gasoline contain 10% ethanol.

HREA **does not take a position at this time** on this measure and offers the following comments for the Committee's consideration:

- 1) A Familiar Topic: Part 1 - Policy. The intent of this law is to decrease our use of fossil fuel for gasoline (increase our energy security) and secondarily to create local sources of ethanol (increase our use of indigenous resources). While local sources of ethanol have not entered the market yet, why would we NOT want to continue to encourage local production? Even if there is no local production, there is a question as to whether it is better to import ethanol instead of petroleum, especially since the likely sources will be from the mainland or other friendly sources.
- 2) A Familiar Topic – Part 2 - Impacts. Yes, there have been some implementation issues, e.g., incompatibility with certain gas tanks, and some drivers reporting decreased gas mileage and higher fuel costs. There are or will be solutions to the gas tank issue, but does the price of ethanol (currently lower than gasoline) contribute to higher costs per mile driven by consumers? Thus, we support further discussion/analysis on the overall economics of E-10, for example, while some cars may experience lower gas mileage, is the overall cost/mile actually higher or lower? For example, until we determine the actual costs are higher, why would we want to repeal the E-10 law? Finally, we understand that a report due from DBEDT before next session, and we hope DBEDT will shed some light on these issues.
- 3) What Now. Best scenario, we meet the mandate with local sources over time – clearly contributing to our energy security and indigenous resource goals. Meanwhile, while we continue to import ethanol, we support further discussion/analysis on the overall economic impact to consumers and our energy security.

Thank you for this opportunity to testify.

*HAWAII RENEWABLE ENERGY ALLIANCE*

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## **Western States Petroleum Association**

Senate Committee on Ways and Means  
The Honorable David Ige, Chair  
The Honorable Michelle Kidani, Vice Chair

DATE: Thursday, February 23, 2012  
TIME: 9:00 a.m.  
PLACE: Conference Room 211  
RE: SB 2339, SD1 Relating to Ethanol

I am Melissa Pavlicek testifying on behalf of the Western States Petroleum Association (known as WSPA). WSPA is a non-profit trade association representing a broad spectrum of petroleum industry companies in Hawaii and five other western states. The purpose of SB 2339, SD1, is to repeal the 10 percent ethanol by volume requirement for gasoline sold in Hawaii for use in motor vehicles.

WSPA offers the following comments on SB 2339, SD1.

The law requiring a 10% blend ethanol blend for motor gasoline was adopted into statute to promote the agriculture industry in 1997. Subsequently, the administrative rules requiring 85% of all motor gasoline distributed in Hawaii contain 10% ethanol (E10) was adopted by DBEDT in 2004. Allowing for an 18 month transition period, E10 started in April 2006. The adoption of blending rules was opposed by members of the petroleum industry on the basis that mandates distort markets, adding ethanol was unnecessary in Hawaii for cleaner combustion and other consumers impacts now cited in the SB 2339, SD1. More importantly, the industry noted the significant cost to comply with a mandate and warned against a “start stop” reaction if the questionable economic benefits including renewed agricultural activity and job creation were not realized.

In deciding whether or not to repeal Hawaii’s ethanol blending mandate, the Legislature should also be aware of that Hawaii opted into the Federal Renewable Fuels Standard (RFS) program that sets quotas via a formula for refiners and importers of gasoline to blend a percentage of biofuels into the finish products they distribute (40 CFR § 80.1143 of the Federal RFS program ) Congress has since adopted a RFS2 program which requires that 36 billion gallons of alternative fuels are blended into transportation fuel by 2020. These requirements raise the renewable fuel blending requirements for refiners and importers.

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Passage of SB 2339, SD1, would repeal the E10 mandate, however, the RFS2 requirements place considerable pressure on refiners and importers to meet the nationally adopted quotas. It is not possible to accurately predict how market participants or the market itself will react to the proposed regulatory change. We feel obligated to make it clear to you that repealing the ethanol mandate in Hawaii will not necessarily mean that ethanol is no longer blended in our state. The Market and individual companies RFS2 compliance decisions will make that decision.

Thank you for giving WSPA the opportunity to testify today.

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