

STAND. COM. REP. NO.

1181

Honolulu, Hawaii

MARCH 22, 2013

RE: S.B. No. 15
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 15, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to, among other things:

- (1) Change the existing law requiring ten percent ethanol fuel content in gasoline to a requirement that each distributor in the State who sells liquid fuels for use in motor vehicles shall ensure that locally-produced biofuels account for at least five percent by volume of the distributor's annual sales of liquid fuels for motor vehicles;
- (2) Specify that for diesel fuel, sales of no more than five percent of locally-produced biodiesel shall be required;
- (3) Change the reporting requirements for distributors; and
- (4) Define "biofuel".



For purposes of a public hearing, your Committee circulated a proposed draft of this measure and notified the public that it would be accepting testimony on the proposal, which, among other things:

- (1) Changes the existing law requiring ten percent ethanol fuel content in gasoline to a requirement that each distributor in the State who sells liquid fuels for use in motor vehicles shall ensure that locally-produced biofuels account for at least five percent by volume of the distributor's annual sales of liquid fuels for motor vehicles;
- (2) Specifies that for diesel fuel, sales of no more than five percent of locally-produced biodiesel shall be required;
- (3) Changes the reporting requirements for distributors;
- (4) Defines "biofuels";
- (5) Establishes a biofuels production tax credit for producers of at least 100,000 gallons of qualified biofuels per year with an aggregate annual limit of \$12,000,000; and
- (6) Repeals the ethanol facility tax credit.

Your Committee received testimony on the proposed draft that it noticed and circulated.

Hawaii Island Economic Development Board; Life of the Land; Hawaii Renewable Energy Alliance; Big Island Biodiesel; Alliance Biodiesel, Inc.; Blue Planet Foundation; and a few individuals provided testimony in support of this measure. The Alliance of Automobile Manufacturers; General Motors, LLC; Western States Petroleum Association; and a few individuals provided testimony in opposition to this measure. The Department of Taxation; Department of the Attorney General; Department of Business, Economic Development, and Tourism; Tax Foundation of Hawaii; Hawaii BioEnergy, LLC; Pacific Biodiesel Technologies; Airlines Committee of Hawaii; Hawaii Fueling Facilities Corporation; and Pacific West Energy, LLC provided comments on this measure.



Your Committee has adopted the proposed draft and has amended it further by:

- (1) Deleting the changes to existing law amending the ten percent ethanol fuel content requirement for gasoline and diesel fuel and, instead, creating a task force which shall exist until August 1, 2015, within the Department of Business, Economic Development, and Tourism to examine the potential effects of:
 - (A) Changing the ten percent ethanol fuel content in gasoline to a requirement that each distributor in the State who sells liquid fuels for use in motor vehicles ensure that locally-produced biofuels account for at least five percent by volume of the distributor's annual sales of liquid fuels for motor vehicles; and
 - (B) Requiring that for diesel fuel, sales of no more than five percent of locally-produced biodiesel shall be required;
- (2) Changing the measure's effective date so that the biofuel production tax credit will sunset on July 1, 2021; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes that this measure may implicate issues involving the Commerce Clause of the United States Constitution. Your Committee will attempt to address these issues with your Committee on Consumer Protection & Commerce.

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. 15, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 15, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.



1181

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

Chris Lee

For CHRIS LEE, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HSCR 1181

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: <i>SB15, SD2</i>	Committee Referral: <i>EEP, CPC</i>	Date: <i>3/19/13</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. LEE, Chris (C)	X			
2. THIELEN, Cynthia (VC)	X			
3. COFFMAN, Denny	X			
4. CULLEN, Ty J.K.	X			
5. EVANS, Cindy	X			
6. HANOHANO, Faye P.	X			
7. KAWAKAMI, Derek S.K.	X			
8. LOWEN, Nicole E.	X			
9. FALE, Richard Lee	X			
TOTAL (9)	9			
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 0.8em;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <i>Cynthia Thielen</i>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				