



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

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Wednesday, April 10, 2013
2:10 p.m.
State Capitol, Conference Room 325

in consideration of
HCR 99, HD1
**REQUESTING THE CONVENING OF A LEGISLATIVE TASK FORCE ON ENERGY
SECURITY.**

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **supports the intent** of HCR 99, HD1 to convene a Legislative Task Force on Energy Security. However, DBEDT is concerned that this Legislative Task Force on Energy Security is duplicative to the Hawaii Refinery Task Force which was established by Executive Order 13-01 on February 19, 2013 to assess potential price and supply disruptions from Tesoro's announced refinery closure and to identify strategies and actions the State should consider to ensure a reliable and competitive energy market as Hawaii makes the transition to a new energy ecosystem.

The Hawaii Refinery Task Force has 30 participants with approximately one-third each from the energy industry; community leaders outside of energy; and the public sector, including a representative of the Senate President and the Speaker of the House. Task Force members also include representatives of federal and state government, electric and gas utilities, refineries, fuel suppliers, labor, environment, finance, and other business representatives. The Task Force has already begun working to identify key stakeholder concerns, data inputs, and potential strategies and actions to promote a smooth transition as our fuels market evolves.

The Hawaii Refinery Task Force must submit short-term findings and recommendations to the Governor within 60 days of a refinery closure and must also submit an interim and final written report of its activities and recommendations to the Governor by September 30, 2013 and the final day of the 2014 legislative session, respectively.

Thank you for the opportunity to offer these comments on HCR 99, HD1.

TESTIMONY OF

PATRICIA KOGE

USW Local 12-591 Unit Chair of the Tesoro Group

before the

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Wednesday, April 10, 2013

2:10 p.m.

State Capitol, Conference Room 325

concerning HCR99 HD1/HR76

**“REQUESTING THE CONVENING OF A LEGISLATIVE TASK FORCE
ON ENERGY SECURITY”**

Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

United Steelworkers (USW) Union Local 12-591 strongly supports HCR 99 HD1/HR 76, the convening of a legislative task force on energy security.

Hawaii needs a task force that is devoted to examining alternatives the state can take with other stakeholders to prevent the closure of Tesoro’s Kapolei refinery.

Governor Neil Abercrombie’s Hawaii Refinery Task Force has a different mission. He says its job is to assess the impact on fuel prices and supply when the refinery closes, and to identify strategies and actions the state should consider to ensure a reliable and competitive energy market as Hawaii makes the transition to a new energy ecosystem.

The USW has been told by the governor’s office that finding buyers and pursuing alternatives to keep the Kapolei refinery operating are not on the Hawaii Refinery Task Force’s agenda.

It is important to have a task force that looks at ways to keep the refinery operating because if it closes, there is a strong possibility our state’s energy markets will be disrupted and energy prices will rise across the board. This will adversely impact multiple industries, such as shipping, aviation, tourism, and agriculture.

Tesoro’s plan to turn the refinery into a terminal to import fuel will make the state dependent on prices set by foreign refiners and vulnerable to world crises, like the North Korea situation, that could have enormous impacts on supply. Furthermore, fuel supplies to the many Armed Forces

installations in our state will be made less secure--not something we should do in the present day crisis-ridden environment.

Also, most of the imported fuel would come from Asia, where refiners are subject to little or no environmental regulations. So instead of helping the environment, importing fuel to Hawaii would increase the state's carbon footprint on the planet.

Another reason to have a legislative task force on energy security is that Hawaii needs to keep the Tesoro refinery operating while alternative sources of energy are pursued and developed.

Unlike the Hawaii Refinery Task Force, the proposed legislative task force on energy security would include the participation of USW Local 12-591, which represents the refinery workers and is the predominant union at the Tesoro refinery. The USW has extensive experience working with elected officials, companies, environmental organizations, international unions and other stakeholders to keep manufacturing of all kinds and the jobs associated with it in the United States.

Last year the USW campaigned vigorously to find buyers and keep two Philadelphia, Pa. refineries from shutting down permanently. The USW worked with local, state and national elected leaders, other stakeholders and prospective buyers to put together incentives and financing to make a deal work. As a result of everyone's effort, the two refineries were purchased and over 1,600 direct jobs were saved. Hundreds of new jobs will be created when one of the refineries expands its operations.

Hawaii does not need the loss of over 200 direct jobs and the possibility of over 2,000 related workers being put on the street should the Tesoro refinery permanently close. Please approve the legislative task force on energy security so a solution can be found to keep Tesoro workers like myself employed.

Thank you for giving me the opportunity to testify at your committee hearing.



Randy Perreira
President

HAWAII STATE AFL-CIO

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Committee on Consumer Protection & Commerce

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Testimony by
Hawaii State AFL-CIO
April 10, 2013

HCR 99 HD1 - REQUESTING THE
CONVENING OF A LEGISLATIVE TASK FORCE
ON ENERGY SECURITY

The Hawaii State AFL-CIO strongly supports HCR 99, HD1, requesting the convening of a legislative task force on energy security.

The Hawaii State AFL-CIO recognizes the importance of Hawaii becoming less reliant on fossil fuels. However, until we have the proper alternative energy sources in place and the capability of supplying an isolated state of over one million residents and thousands of tourists, it is important to ensure refined petroleum remain cost effective and readily available to Hawaii's residents, the tourism industry, and the United States Military.

Currently, Hawaii has only two petroleum refineries and with the impending closure of the Tesoro refinery, Hawaii may not have the capability of supplying refined petroleum independently. Rather, Hawaii will need to acquire the necessary refined petroleum from other sources elsewhere in the region. This could result in instability, higher prices, and Hawaii being held captive to other markets. While we hope this doesn't happen, the only way we can be certain it does not is by refining and supplying our own petroleum.

Furthermore, the impending closure of the Tesoro refinery will unfortunately mean the elimination of nearly 250 well-paid jobs that will be nearly impossible to acquire elsewhere. Families will be disrupted and up to 2,500 related jobs could also be eliminated causing further burden and hardship. In addition, Hawaii will be left with only the Chevron refinery which has a maximum capacity of only 54,000 barrels per day, well below the estimated consumption of roughly 91,000 barrels per day Hawaii uses according to the U.S. Energy Information Administration (EIA).

While we hope that one day this will not present a challenge to Hawaii, we unfortunately are not at that point yet. Hawaii still relies heavily on fossil fuels, and the tourism industry and military require it. As a result, we hope the convening of this legislative taskforce will avert the closure of the Tesoro plant, by encouraging potential buyers and recognizing the need for two petroleum refineries in Hawaii.

Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira
President



House of Representatives
Committee on Consumer Protection & Commerce
Rep. Angus L.K. McKelvey, Chair
Rep. Derek S.K. Kawakami, Vice Chair
Hawaii State Capitol, Room 325
Wednesday, April 10, 2013, 2:10 p.m.

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STATEMENT OF DAVID HEERWALD LEONARD ON HCR 99 HD1 PROPOSED Requesting the Convening of a Legislative Task Force on Energy Security

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

My name is David Heerwald Leonard. I am providing this testimony in **support** of HCR 99 HD1 Proposed, as President and CEO of Aluvion Energies LLC, a Hawaii energy consultancy. I have been active in the petroleum and renewable energy sectors in Hawaii since 1980. My former employers include Chevron and Tesoro Hawaii. I am a founding member of the Fuels Working Group of the Hawaii Clean Energy Initiative.

The Tesoro Refinery is an essential and integrated part of Hawaii's current energy sector. It has great value to the community as a local manufacturing facility that is being extensively discussed. However, it also serves a critical role as Hawaii's largest civilian strategic energy reserve that I want to highlight in my testimony.

The current oil and fuel storage at the Tesoro Refinery is almost equal in size to the U.S. Navy's Red Hill fuel storage facility. More precisely, the Tesoro Refinery has a capacity of approximately 218,000,000 gallons of crude oil and fuel. Red Hill has more at approximately 250,000,000 gallons. The Chevron Hawaii Refinery is third at about 164,000,000 gallons.

However, if the Tesoro Refinery is shut down and converted to an import terminal, there will be no need for the crude oil storage, and there is recent information that allows us to estimate the extent of this possible storage reduction. In its January 8, 2013 press release announcing the conversion of the Tesoro Refinery to an import terminal, Tesoro stated that "[t]he Company also expects to realize between \$300 million and \$350 million in cash by the end of 2013, driven by a reduction in working capital needs as a result of this conversion."

As a rough estimate using \$100/barrel for the cost of crude oil inventory, the conversion of the Tesoro Refinery to an import terminal may represent the loss of between 21 and 32 days of in-state energy storage capacity and energy security for Hawaii. This potential reduction of the Refinery's storage provides another important reason for the State of Hawaii to support the continued operation of the Tesoro Refinery through the efforts of task forces and other state resources.

Thank you for the opportunity to share this testimony in **support** of the adoption of the Legislative Task Force on Energy Security as contemplated by HCR 99 HD1 Proposed.