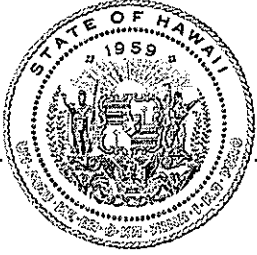


# SB 15

## RELATING TO ENERGY

Broadens existing gasoline requirement of ten per cent ethanol fuel content to ten per cent biofuel content. Expands the reporting requirements for biofuel distributors.



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

NEIL ABERGROMBIE  
GOVERNOR

RICHARD C. LIM  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

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Statement of  
**Richard C. Lim**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**Senate Committee on Energy and Environment**  
Thursday, January 31, 2013  
2:45 PM  
State Capitol, Conference Room 225

in consideration of

**SB 15 RELATING TO ENERGY.**

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

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on SB 15, which would replace the existing ethanol mandate with a significantly more stringent requirement for biofuels that would apply to distributors of both gasoline and diesel fuel. This type of change could enable other types of biofuels to be used in addition to ethanol, and could support the participation of current fuel producers in a mandate.

While we support the intent of the bill we also have several concerns with the bill as written:

1. The only biofuels commercially available are ethanol (for use in gasoline) and biodiesel (for use in diesel fuel). To meet the 10% Btu requirement, motor vehicle diesel would have to contain 38% biodiesel.<sup>1</sup> However, any blend

greater than 5% could cause issues with vehicle and equipment warranties. We are unable to support this.

2. There are already several diesel fuel distributors and fleets using biodiesel successfully without a mandate. Creating a new mandate on this sector provides little benefit (diesel is only 10% of the ground transportation fuel volume) but could interfere with the successful voluntary efforts and market positioning of the current market participants. A new mandate on this sector would involve a significant increase in complexity and reduction in market flexibility.
3. Timing: the effective date of July 1, 2013, does not allow any time for preparation or for the development and promulgation of new rules.
4. The deletion of the sentence on page 2, lines 4-7, removes the discretion that enabled the rules promulgated by DBEDT to require only 85% of Hawaii's gasoline to contain ethanol. This allowed fuel distributors to provide non-blended fuel on Lanai, Molokai, boat harbors, and other niche markets comprising less than 15% of each distributor's volume.

These concerns may be addressed, and the objective of allowing locally-produced biofuels to participate in the mandate may be realized, by simply allowing gallons of other types of biofuel to count towards meeting the current mandate volume requirements.

Thank you for the opportunity to offer these comments.

<sup>1</sup> The bill would change the requirement from 10% ethanol in 85% of Hawaii's gasoline (a 3 trillion Btu requirement) to 10% of the energy content of all motor vehicle fuels (a 5.8 trillion Btu requirement). The renewable Btu percentage of 10% ethanol in 85% of the gasoline is 5.78%. If all gasoline had ethanol in it, the renewable percentage on Btu basis would be 6.84% (3.54 trillion Btu).



## **Western States Petroleum Association**

Senate Committee on Energy and Environment

DATE: Thursday, January 31, 2013  
TIME: 2:45 PM  
PLACE: Conference Room 225  
RE: SB 15, Relating to Energy

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 15 is to broaden the existing ethanol blending mandate to allow other biofuels to be used instead of ethanol. It also expands the reporting requirements for biofuels distributors.

WSPA offers the following comments on SB 15:

This bill overlooks the fundamental relationship between vehicles, fuels and consumers. Each of these key elements must be considered carefully when making adjustments that have the potential to negatively impact or be impacted by the others. This bill makes changes to regulations to fuels only and does so without the benefit of public workshops or extensive commentary unlike the more deliberative process used to enact the ethanol-blending mandate.

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, the addition of ethanol was unnecessary in Hawaii for cleaner combustion, and other consumer impacts. 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 modify 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 finished products they distribute (40 CFR § 80.1143 of the Federal RFS program.) Congress has since adopted an RFS2 program, which requires that 36 billion gallons of alternative fuels be blended into transportation fuel by 2020. These requirements raise the renewable fuel blending requirements for refiners and importers.

Passage of SB 15, would modify the E10 mandate, however, it is unclear whether other biofuels would be compatible with existing production, distribution or utilization infrastructure and whether therefore they would ever be actually implemented.

In addition, the RFS2 requirements place considerable pressure on refiners and importers to meet the nationally adopted ethanol 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 modifying the ethanol mandate in Hawaii will not necessarily mean that ethanol is no longer blended in our state. That will be determined by the market and individual companies' RFS2 compliance decisions. Thank you for giving WSPA the opportunity to testify today.



**Directors**

Jody Allione  
AES-Solar

Joe Boivin  
The Gas Company

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SB 15, RELATING TO ENERGY RESOURCES

January 31, 2013

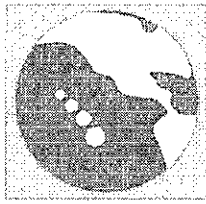
Chair Gabbard, Vice-Chair Ruderman and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use 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 purposes of SB 15 are to: (i) broaden existing gasoline requirement of ten per cent ethanol fuel content to ten per cent biofuel content, and (ii) expand the reporting requirements for biofuel distributors.

HREA **supports** this measure and offers the following comments in support of the conversion of the E-10 (ethanol) to a B-10 (biofuels) mandate:

- 1) Clean Energy Goals. The proposed B-10 mandate support achievement of our state's clean energy goals, in this case, the goal to reach 70% of our ground transportation fuel needs from non-fossil sources by 2030.
- 2) How Are We Doing? Actually, not very well. While the proposed measures will allow more options for the oil companies, the distributors and suppliers, including hopefully more local suppliers, we believe the measure sets too pedestrian a pace. Therefore, we recommend that at least a B-20 mandate with a required achievement date of December 31, 2015.
- 3) Need for Further Discussion. We realize that there are many issues that require further discussion. Perhaps the Committee might consider facilitating this discussion with overall goal of charting our not just a roadmap, but a timeline to reach the 2030 goals.

Mahalo for this opportunity to testify



**PACIFIC**  
**BIODIESEL**

**Pacific Biodiesel Technologies**

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January 29, 2013

Senator Mike Gabbard, Chair  
Senator Russell Ruderman, Vice Chair  
Committee on Energy and Environment

HEARING: Thursday, January 31, 2013, 2:45pm, Conference room 225

**Re: In support of Senate Bill 15 relating to Energy**

Dear Senator Mike Gabbard, Senator Russell Ruderman and Committee on Energy and Environment,

Pacific Biodiesel Technologies (PBT) supports Senate Bill 15 which requires that biofuels, rather than specifically just ethanol, account for ten percent of all liquid transportation fuel sales in the State of Hawaii. As stated in SB15, "despite several planned ethanol plants and an abundance of vacant sugar land, no plants have been built."

As Hawaii's only commercial biofuel production company, PBT has for over a decade been designing and operating community-based biodiesel processing facilities to produce high quality fuel for our customers and distributors. Since 1996, PBT has been successfully operating biodiesel production plants in the state -- first on Maui, then on Oahu and most recently on Hawaii Island. Big Island Biodiesel (BIB) is PBT's most technologically advanced facility to date, offering zero waste, multi-feedstock processing of the highest quality premium distilled biodiesel. With the Hawaii Island biodiesel production, in-state capacity will now surpass five million gallons a year and PBT is now managing more than 50 employees statewide.

One of the most important actions the Legislature can take to incentivize the renewable fuels industry would be to expand the current ethanol mandate to include other biofuels. This will allow for consumer/distributor choice and ultimately for the best technologies to emerge. With local biodiesel production capacity now equal to about 10% of the transportation diesel usage in the state, including biodiesel in the mandate will support current and future jobs as well as the future energy security of our island communities. As Pacific Biodiesel ponders the opportunities before us now, this mandate would send a clear message that the best ones are right here at home in Hawaii.

We ask you to please pass SB15.

Sincerely,

A handwritten signature in cursive script that reads "Kelly T. King".

Kelly King, Vice President



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 www.biodiesel.com

January 30, 2013

Senator Gabbard, Chair  
 Senator Russell E. Ruderman, Vice Chair  
 Committee on Energy and Environment  
 Hearing January 31, 2012 at 2:45 pm, Conference Room 225

**SB 15, RELATING TO ENERGY  
 SUPPORT**

Dear Senator Gabbard, Senator Ruderman and members of the Committee on Energy and Environment,

We, as employees of Big Island Biodiesel and Pacific Biodiesel, are testifying in support of Senate Bill 15.

This bill will support biofuels that can be made locally, such as biodiesel. Biodiesel is cleaner and better for our environment and communities than petroleum fuels. This biofuel also moves us toward our state's energy independence goals. Of all the biofuels talked about today, biodiesel is the only one that is produced commercially in Hawaii.

We are excited to be working for Big Island Biodiesel, which is in commissioning phase for production of biodiesel to start very soon. Through our new careers at BIB, we have local high-quality jobs working with advanced technology and making a real positive impact in our community. Many of us had not thought we would find these types jobs available on the Big Island and are thrilled to find this industry emerging!

We feel that this bill would help bring stability to the biofuel industry in Hawaii. It supports our mission to provide our neighbors with clean, sustainable fuels. Also, this bill could help our industry expand and allow more people to join us in similar locally-based biofuel careers.

We appreciate your time and consideration of our testimony in support of SB 15.

Mahalo,

Employees of Big Island Biodiesel and Pacific Biodiesel

*Jenna Long*  
 Jenna Long

*Sandra D. McAuliffe*  
 Sandra D. McAuliffe

*Will Smith*  
 Will Smith

*Estelina Culina*  
 Estelina Culina

*Lucas Frank*  
 Lucas Frank

*Don Davis*  
 Don Davis

*Joseph N. KASHUBA*  
 JOSEPH N. KASHUBA

*David*  
 David

*James Twigg-Smith*  
 James Twigg-Smith

*BO BELF*  
 BO BELF

*Tyler R. Brandenburg*  
 Tyler R. Brandenburg

*Robert Richardson*  
 Robert Richardson



# MARINESOURCE, LLC

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January 29, 2013

Senator Mike Gabbard, Chair  
Senator Russell Ruderman, Vice Chair  
Committee on Energy and Environment

HEARING: Thursday, January 31, 2013, 2:45pm, Conference room 225

**Re: In support of Senate Bill 15 relating to Energy**

Dear Senator Mike Gabbard, Senator Russell Ruderman and Committee on Energy and Environment,

I am writing this testimony in SUPPORT OF SENATE BILL 15. As a one of the many local (vast majority of shareholders are from Hawaii Island or Maui) investors of Big Island Biodiesel, LLC, it is amazing to me that we have such a nationally recognized company right here in Hawaii that has been overlooked in prior legislation relating to biofuel integration in transportation fuels. While much ado has been made over the years touting grand projects that will be the solution to all of our energy needs, Pacific Biodiesel Technologies has quietly been blazing the very path the State of Hawaii has been desperately searching for. With the addition of the Big Island refinery, the State, with the PASSAGE OF SENATE BILL 15 can actually move forward and have locally refined biofuels.

The PASSAGE OF SENATE BILL 15 shall insure we continue to see HIGH QUALITY LOCAL JOBS for our citizens and end the brain drain of engineers, chemists and other high technology jobs.

The PASSAGE OF SENATE BILL 15 shall insure local dollars stay in Hawaii to benefit the LOCAL ECONOMY.

The PASSAGE OF SENATE BILL 15 shall insure Hawaii leads the nation in renewable energy and cleaner emissions through the use of biofuels, including locally refined biodiesel.

The CHOICE is easy: Continue to support off shore interests and import our fuel from outside sources, or SUPPORT LOCALLY REFINED BIOFUELS like biodiesel from Hawaii Island.

Thank you for your time, please contact me with any questions you may have.

Matthias Kusch  
MarineSource, LLC  
Pepeekeo, HI 96783  
(808) 938-0680

**SB15**

Submitted on: 1/28/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Nancy Davlantes	Individual	Support	No

Comments:

**SB15**

Submitted on: 1/30/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kerri Marks	Individual	Oppose	No

Comments: On January 27, 2013 the U.S. Court of Appeals for the District of Columbia struck down an EPA mandate requiring biofuels to be mixed in to gasoline stating that the mandate was unreasonable because producers failed to make any commercial supplies last year. Changing this bill from requiring ethanol to requiring biofuels seems to be chasing the same dragon. Kill this bill.

**SB15**

Submitted on: 1/30/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kurt Hanson	Individual	Oppose	No

Comments: Growing food to produce ethanol or biofuels takes a heavy toll on the environment and is hurting the world's poor through higher food prices. Stop forcing us to use a fuel we don't want. Are we not a free people? Please stop this biofuel nonsense.