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Western States Petroleum Association
Senate Committee on Energy & Environment
Senate Committee on Commerce & Consumer Protection

DATE: Thursday, February 7, 2013
TIME: 2:45 p.m.
PLACE: Conference Room 225

I am testifying on behalf of the Western States Petroleum Association (known as WSPA) in opposition to **SB 372, relating to biodiesel**. WSPA is a non-profit trade association representing a broad spectrum of petroleum industry companies in Hawaii and five other western states.

This measure requires the director of the Department of Business, Economic Development, and Tourism to adopt rules requiring diesel fuel sold in the State to contain increasing amounts of biodiesel. It requires that all state owned and operated on-highway diesel motor vehicles use fuel containing no less than twenty per cent biodiesel by 7/1/2015 and it requires distributors to file statements with the director, and makes the statements and their contents confidential information. This measure also adds a definition of biodiesel and provides penalties for violations. In addition, it deletes the State's ethanol content requirement.

The state legislature considered a similar measure in 2011 and after initial stakeholder input identified several significant concerns, including the potential impacts on fuel infrastructure at the airports and other locations. A study to determine whether infrastructure is available, as well as to determine whether fuel manufacturers' vehicles would be compatible with such requirements, is necessary to avoid potential unintended consequences.

Based on our experience with the ethanol blending law, fuel supply mandates can bring a host of unintended consequences. Mandates tend to distort normal market functioning. Mandates are usually proposed when parties perceive a need to force a product that is not naturally competitive, into the market.

WSPA is concerned that a mandatory introduction of biofuels into diesel fuels may potentially affect fuel quality, mobilize contaminants in the fuel system, or increase the potential for microbial contamination of Hawaii diesel supplies.

Thank you for the opportunity to testify in opposition this measure.