



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

NEIL ABERCROMBIE
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

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

Tuesday, February 11, 2014
9 a.m.
State Capitol, Conference Room 312

in consideration of
HB 2060 HD1
RELATING TO TAXATION.

Chair Tsuji, Vice Chair Ward, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB 2060 HD1, which would establish a renewable fuels production tax credit and repeal the ethanol facility tax credit.

DBEDT defers to the Department of Taxation on the fiscal impact of the bill, and notes that the definition of “renewable fuels” in the bill, which requires that feedstock must be transported from points of origin “less than one thousand miles” away from the production facility, may be in conflict with the commerce clause of the US Constitution. Additionally, the financial and human resources required to administer the duties mandated by this bill are not included in DBEDT’s current budget.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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PHONE NO: (808) 587-1540
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To: The Honorable Clift Tsuji, Chair
and Members of the House Committee on Economic Development and Business

Date: Tuesday, February 11, 2014
Time: 9:00 A.M.
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2060, H.D. 1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 2060, H.D. 1, and provides the following information and comments for your consideration.

H.B. 2060, H.D. 1 repeals the existing income tax credit for ethanol facilities and adds a new tax credit for the production of renewable fuels. The tax credit would be equal to an unspecified amount per one hundred fifteen thousand British thermal units of fuel produced, and would be capped at an unspecified amount per taxpayer. The tax credit would be certified by the Department of Business, Economic Development, and Tourism.

The Department defers to the Department of the Attorney General for a more thorough analysis of the constitutionality of H.B. 2060, H.D. 1, but notes that tax measures that discriminate against interstate commerce are generally held unconstitutional by the courts. For example, the holding in Bacchus Imports Ltd. v. Dias, 468 U.S. 263 (1984), indicates that provisions that result in taxation that is discriminatory against products imported from outside the State would violate the Commerce Clause of the United States Constitution. The Department suggests changing or removing the requirement that feedstocks be transported less than 1,000 miles from their point of origin, which would exclude feedstocks from outside the State, as well as the requirement that fuel produced be distributed within the State.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable fuels production tax credit

BILL NUMBER: HB 2060, HD-1

INTRODUCED BY: House Committee on Energy & Environmental Protection

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to establish a renewable fuels production tax credit. The credit shall be allowed to taxpayers producing qualifying renewable fuels provided the credit shall not be claimed for more than five years.

The annual dollar amount of the credit shall be ___ cents per 115,000 British thermal units (BTU) of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the production by the facility is not less than 15 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to \$ ___ million per taxable year.

Defines “credit period,” “net income tax liability” and “qualifying renewable fuels.” “Renewable fuels” are fuels produced in the state from renewable feedstocks transported less than one thousand miles from point of origin to the production facility located in the state. The fuel shall be sold in the state as a fuel and meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to: (1) methanol, ethanol, or other alcohols; (2) hydrogen; (3) biodiesel or renewable diesel; (4) other biofuels; or (5) renewable jet fuel or renewable gasoline. Defines “renewable feedstocks” as biomass crops; agricultural residues; oil crops, including but not limited to algae, canola, jatropha, palm, soybean and sunflower; other agricultural crops; grease and waste cooking oil; food wastes; municipal solid wastes and industrial wastes; and animal residues and wastes that can be used to generate energy.

Requires the department of business, economic development and tourism (DBEDT) to verify and certify each claim for the credit including the total amount of credit for each taxable year and the cumulative amount of tax credit during the credit period. The department shall issue a certificate to qualifying taxpayers who shall file the certificate with the department of taxation (DOTax).

If the amount of credits exceeds the taxpayer’s income tax liability, the excess of credit over liability may be carried over to future years.

Prior to production of any qualifying renewable fuels for the year, the taxpayer is to provide written notice of the taxpayer’s intention to begin production of qualifying renewable fuels to DOTax and DBEDT with information on the taxpayer, facility location, facility production capacity, anticipated production start date, and the taxpayer’s contact information. The taxpayer shall also provide written notice to the director of taxation and the director of DBEDT within 30 days following the start of production and include the production start date and expected renewable fuel production for the next year.

In each calendar year during the credit period, the taxpayer shall provide information to the director of DBEDT on the number of BTUs of renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks used for renewable fuels production, the number of employees of the facility and each employee's state of residency, and the projected number of BTUs of renewable fuels production for the succeeding year.

Directs the director of DBEDT, following each year in which a credit under this section has been claimed, to submit a written report to the governor and legislature regarding the production and sale of renewable fuels. Requires the department of taxation to prepare the necessary forms to claim the credit, requires the taxpayer to furnish information to validate a claim for the credit.

The renewable fuels production tax credit shall not be claimed for tax years beginning after December 31, 2015.

Repeals the ethanol facility tax credit under HRS section 235-110.3.

EFFECTIVE DATE: Tax years beginning after December 31, 2014

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to replace the ethanol facility tax credit with a renewable fuels production tax credit.

While it has been almost ten years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not broken yet, it appears that there are other far more efficient biofuels which could be developed and, therefore, the existing credit, which is specific to ethanol, might not be available to assist in the development of these other types of fuels.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few months is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are indeed irresponsible as the cost of these credits goes far beyond what was ever contemplated. As an alternative, lawmakers should consider repealing this credit and look for other types of alternate energy to encourage through the appropriation of a specific number of taxpayer dollars. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

While ethanol was the panacea of yesterday, lawmakers have learned that there are more minuses to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy, and the demand for feedstock that is used to produce ethanol basically redirects that feedstock away from traditional uses, causing products derived from the feedstock to substantially increase in price.

An appropriation of taxpayer dollars for such untried and unproven technologies would be far more accountable than the tax credit as such technologies would have undergone the scrutiny of lawmakers. Providing a tax incentive is an indicator that lawmakers are unwilling to do the hard research and unwilling to impose strict discipline in the expenditure of hard-earned tax dollars. The tax incentive approach represents nothing more than a hope and a wish that some breakthrough will be made, no matter how inefficient it may be, that some alternative to fossil fuel will be found. In the mean time, those tax dollars will be wasted on some unproven folly. If this were an appropriation, taxpayers would then know who to hold accountable for the waste of those tax dollars.

This, along with numerous other proposals targeted at certain types of business activity, is truly an indictment of what everyone has known and acknowledged since before Hawaii became a state, that is, the climate imposed by government regulations and taxation makes it difficult to survive without some kind of subsidy such as tax credits from government. Once those subsidies disappear, so will the businesses. Instead of throwing out such breaks for special interests, lawmakers must endeavor to make Hawaii's business climate more welcoming and conducive to nurturing budding entrepreneurs.

Digested 2/10/14



HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, February 11, 2014 – 9:00 a.m. – Room 312

Ulupono Initiative Supports HB 2060 HD1 with amendments, Relating to Taxation

Dear Chair Tsuji, Vice Chair Ward and Members of the Committee:

My name is Murray Clay and I am managing partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono supports HB 2060 HD1 with amendments, which establishes a renewable fuels production tax credit. In recent years Hawai'i has seen significant growth in renewable energy adoption moving the State towards its renewable energy goals. However, while the state locally produces about 14% renewable electricity, renewable fuels are far less than 1% of fuel use. Electricity represents approximately 40% of energy use in the state while transportation fuels account for a larger share at 51%. This is disturbing as this means we are making the least amount of progress to date in renewable production for the largest share of the state's energy use.

This important bill could be made more effective in achieving Hawai'i's renewable energy goals with three amendments:

1. Ulupono recommends, on page 2, line 17, the per taxable year limit be put to at least \$6 million per taxable year, which is equivalent to 30 million gallons per year of production. It is important to note that renewable fuel facilities as large as 50 million gallons per year of capacity have been proposed for Hawai'i. Furthermore, ethanol imports alone, at a 10% blend with gasoline, amounted to more than 45 million gallons last year. If we want to replace a meaningful portion of imported fuels with locally produced renewable fuels, at least \$6 million per taxable year is a reasonable amount that balances enough incentive for developers while minimizing cost for the State.
2. The listing of renewable feedstocks that begins on page 3, line 7 should be expanded to include, "sugar and starch crops including but not limited to sugar cane and cassava." We understand that the phrase "other agricultural crops" could be interpreted to include sugar/starch crops used in biofuel production, but as oil crops were listed it seems prudent to list sugar & starch crops to avoid doubt. It is important to note that sugar and starch crops can be processed into ethanol today with existing technology meaning zero technology risk.

We strongly believe that this bill has the potential to open the door for significant renewable energy growth in Hawai'i. In terms of renewable energy production, transportation fuels are significant behind electricity in "going green". This bill will help move renewable fuels forward.

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2350, Honolulu, HI 96813

808 544 8960 o | 808 544 8961 f
www.ulupono.com



Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Email: communications@ulupono.com



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February 10, 2014

**Testimony on House Bill 2060, Relating to Taxation
SUPPORT**

Committee on Economic Development and Business
Representative Clift Tsuji, Chair
Representative Gene Ward, Vice Chair
Hearing February 11, 2014 at 9:00am, House Conference Room 312

Dear Chair Tsuji, Vice Chair Ward and Committee Members,

The employees, management and investors of the Pacific Biodiesel ohana thank you for introducing House Bill 2060 for consideration by the Committee on Energy and Environmental Protection. This bill is crucial to growing the biofuels industry in Hawaii, especially since our state is far behind in our transportation renewable energy goals. We wholeheartedly testify in favor of HB 2060.

This bill supports the State of Hawaii's interest in becoming more energy self-sufficient; however, we do ask you to consider reinstating the previous level of \$.30 per 115,000 BTUs and move the effective date to July 1, 2014 to bring maximum benefits to producers at this time of critical need. If HB 2060 is passed, it will be one of the most important actions the Legislature can take to incentivize renewable fuel production, support current and future local jobs as well as ensure the future energy security of our island communities.

Pacific Biodiesel employs over 75 people in a wide range of positions from chemists to engineers, office and sales personnel to biodiesel facility operators and farmers, as well as outside consultants. Employment represents \$3 million in wages paid in 2013 and continued operations generate over \$10 million in revenue for the State of Hawaii every year. When biodiesel is purchased from Pacific Biodiesel in Hawaii, over 85% of the money stays in the Hawaii economy, and 98% of the money stays in the US economy. This is truly an economic boost as opposed to the economic drain of foreign petroleum.

It is the goal of all those connected with Pacific Biodiesel to continue with our mission to promote a clean, sustainable energy future through the community-based production of renewable fuels, but we need your help as federal support for biofuel continues to be inconsistent and short-term. Meanwhile, the petroleum industry with whom we must compete enjoys on-going, statutory support at all levels of government.

We ask you to consider our proposed changes and please pass HD 2060 to support the continued efforts of renewable fuel producers throughout the State of Hawaii.

Mahalo,

A handwritten signature in black ink that reads "Kelly T. King".

Kelly King
Vice President
ktk@biodiesel.com

Hawaii spent more than \$5 billion on imported petroleum last year. Government support helps biofuel maintain competitiveness as compared to the highly subsidized and mature petroleum industry. The Economic Case for Biodiesel includes:

- Jobs and income
- Tax revenue for State
- Energy Security
- Biodiesel production supports HCEI renewable energy goals

In 2009, the U.S. biodiesel industry:*

- Added \$4.1 billion to the GDP, increasing household income by nearly \$1 billion
- Supported nearly 23,000 jobs in all sectors of the economy
- Provided \$445 million of tax revenue to the Federal treasury
- Provided \$383 million to state and local governments

States and Counties that offer additional incentives would reap a greater share of the benefits

Real world experience indicates that one 5mil GPY biodiesel plant creates:

- \$25,000,000 in Revenue (5MMgal x \$5/gal = \$25MM) (more in Salem)
- \$22,500,000 remains in the State of Hawaii (90%)
- \$1,000,000 per year in GET revenue for the State (4% x \$25MM)
- With agricultural feedstock, numbers increase by 2-3x (Oil + Meal)
- With addition of non-direct activity, multiplier effect is 3-5x
- Total incentive cost could be up to \$1.5MM per year for one plant (\$.30 x 5MM GPY)

In addition, Pacific Biodiesel activities in Hawaii have realized the following benefits:

- Continuing Agricultural research to benefit economic growth in Ag sector
- Saving local businesses money with free UCO pick up and reduced charges for grease trap pumping services
- Extends life of existing landfills through diversion of waste oils
- Less state, city and county remediation costs (waste water systems) when waste oils are recycled.
- Co-Products distributed in Hawaii, ie. glycerin, seed cake will support other Hawaii industries
- Other local business activity created (through local biodiesel production)
 - Bio-Beetle Rental Cars
 - Industrial Solutions (new revenue stream providing UCO containers locally)

* *Economic Impact of Eliminating the Biodiesel Tax Credit*, Report by John M. Urbanchuk, LECG LLC, Dec. 2009

ward2-Robin

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 10:27 AM
To: edbtestimony
Cc: lzolezzi@biodiesel.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

HB2060

Submitted on: 2/10/2014

Testimony for EDB on Feb 11, 2014 09:00AM in Conference Room 312

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Larry Zolezzi | Pacific Biodiesel | Support | No |

Comments:

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Cc: dshinsato@biodiesel.com
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HB2060

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Testimony for EDB on Feb 11, 2014 09:00AM in Conference Room 312

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Dana Shinsato | Pacific Biodiesel | Support | No |

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Directors

Jody Allione
Silver Ridge

Joe Boivin
Hawaii Gas

Kelly King
Pacific Biodiesel

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

HB 2060 HD1, Relating to Taxation

February 11, 2014

Chair Tsuji, Vice-Chair Ward, 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 HB 2060 HD1 are to: (i) establish a renewable fuels production tax credit to achieve greater energy security for Hawaii, and (ii) repeal the Ethanol Facility Tax Credit.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities in the production of renewable fuels in Hawaii.
- 2) Merits of a Production Tax Credit ("PTC"). We believe a PTC is the best way for the state to support biofuel production in Hawaii. With a PTC, a "producer" gets paid when the producer actually produces, not when he installs his production facility. This reduces the risk to the state significantly. The PTC has other features that we find attractive:
 - a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii; and
 - b) the PTC will help encourage the production of local biofuels, through the facilitation of effective producer-ag grower relationships
- 3) Recommendations. We recommend that the payment rate per 115,000 BTU be 30 cents, which was the amount included in previous versions of this bill, and insert a CAP per project at \$3M. With those amendments we recommend that the committee pass out this measure, and help us recover from the "sluggish" start we have witnessed in the fuels part of the Hawaii Clean Energy Initiative.

Mahalo for this opportunity to testify.

ward2-Robin

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 9:41 AM
To: edbtestimony
Cc: ewooldridge@biodiesel.com
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|---------------------|---------------------|---------------------------|---------------------------|
| Erin Wooldridge | Individual | Support | No |

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Sent: Monday, February 10, 2014 10:13 AM
To: edbtestimony
Cc: kekipi808@yahoo.com
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|---------------------|---------------------|---------------------------|---------------------------|
| Jason | Individual | Support | No |

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| Mae Gauvin | Individual | Support | No |

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| Jenna Long | Individual | Support | No |

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| Dino Mariani | Individual | Support | No |

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HB2060

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| Sandra McAuliffe | Individual | Support | No |

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To: edbtestimony
Cc: bethmathias@hawaii.rr.com
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HB2060

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|---------------------|---------------------|---------------------------|---------------------------|
| Beth Mathias | Individual | Support | No |

Comments: Please support locally produced biodiesel. It's good for the community, for our economy and for Hawaii's environment.

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| Michael Heinemann | Individual | Support | No |

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Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

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| Doug Olds | Individual | Support | No |

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| James Twigg-Smith | Individual | Support | No |

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| Tony Pastrama | Individual | Support | No |

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HB2060

Submitted on: 2/10/2014

Testimony for EDB on Feb 11, 2014 09:00AM in Conference Room 312

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| Brian Leighton | Individual | Support | No |

Comments:

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ward2-Robin

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 11:59 AM
To: edbtestimony
Cc: de_sellers@mac.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

Follow Up Flag: Follow up
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HB2060

Submitted on: 2/10/2014

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|---------------------|---------------------|---------------------------|---------------------------|
| David Sellers | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 11:53 AM
To: edbtestimony
Cc: gaiwohi@hotmail.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

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HB2060

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|---------------------|---------------------|---------------------------|---------------------------|
| George Aiwohi | Individual | Support | No |

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 2:35 PM
To: edbtestimony
Cc: efzwick@gmail.com
Subject: Submitted testimony for HB2060 on Feb 11, 2014 09:00AM

HB2060

Submitted on: 2/10/2014

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|---------------------|---------------------|---------------------------|---------------------------|
| edward f. zwick | Individual | Support | No |

Comments: This bill is necessary for the survival of the biodiesel industry in Hawaii , especially now that Federal Tax credits have expired. Over 75 direct jobs will be effected without action by the State. Economic impact is in the tens of millions of dollars.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 2:42 PM
To: edbtestimony
Cc: jan.b.alejandro@gmail.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

HB2060

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| Jan Alejandro | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 4:00 PM
To: edbtestimony
Cc: lfrank@biodiesel.com
Subject: Submitted testimony for HB2060 on Feb 11, 2014 09:00AM

HB2060

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| Lucas Frank | Individual | Support | No |

Comments: I support the House Bill 2060, as it will allow for a biofuels a production tax credit in the State of Hawaii. This bill supports Hawaii's biodiesel production, the local economy, and local jobs. Thank you.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 7:43 PM
To: edbtestimony
Cc: jeisenzimmer@yahoo.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

HB2060

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| Jay A. Eisenzimmer | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 7:47 PM
To: edbtestimony
Cc: zulli@hawaii.edu
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| Christen Zulli | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 8:54 PM
To: edbtestimony
Cc: zanemathiasmaui@gmail.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

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| Zane Mathias | Individual | Support | No |

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 9:10 PM
To: edbtestimony
Cc: dfisherhi@gmail.com
Subject: *Submitted testimony for HB2060 on Feb 11, 2014 09:00AM*

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| David B. Fisher | Maui Venture Consulting LLC | Support | No |

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HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

February 11, 2014, 9:00 A.M.

Room 312

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2060 HD1

Chair Tsuji and members of the Economic Development & Business Committee:

The Blue Planet Foundation supports HB 2060 HD1, expanding the eligibility for biofuel production facilities beyond ethanol. This policy—providing a biofuel facility tax credit to incentivize the needed development and construction of such facilities—will provide greater support for Hawaii’s diverse biofuel production infrastructure.

Biofuels will likely play a major role in Hawaii’s clean energy future—particularly as a substitute for petroleum-based transportation fuels. Transportation fuels in Hawai`i can be made from renewable resources, such as biomass in various forms, algae, and waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here. Hawai`i should set a clear course for a steady, incremental transition to renewable fuels including local and sustainable biofuels.

Blue Planet also supports policy to require that a certain percentage (5%, 10%) of diesel fuel sold in Hawai`i be biodiesel. One of Hawai`i’s entrepreneurial success stories is biodiesel, a fuel that can be created from recycled cooking grease and oils or grown locally, and that can be substituted in place of fossil fuel-based diesel for transportation. Already, this local industry is creating enough fuel to displace 5% of transportation diesel fuel sold in the state. The biofuels industry is also making headway on the state’s use of aviation fuels; HawaiiBioenergy has completed an agreement with Alaska airlines to power Hawai`i flights with biofuels starting as soon as 2018. Blue Planet supports a mandate to blend biodiesel with all locally sold diesel fuel. This smart step will help to continue the momentum for a local industry to supply indigenous clean energy for our transportation energy needs.

Thank you for the opportunity to testify.