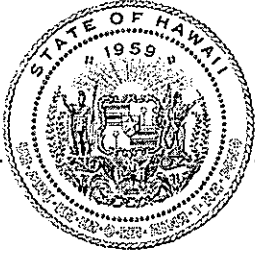


SB 201

RELATING TO ETHANOL.

Authorizes the director of business, economic development, and tourism to allow the sale of motor vehicle gasoline that does not contain ethanol unless sufficient quantities of locally produced ethanol or biofuel crops have been produced and are available to meet the requirements under existing law.



**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
Senate Committee on Energy and Environment
Thursday, January 31, 2013
2:45 PM
State Capitol, Conference Room 225

in consideration of

SB 201 RELATING TO ETHANOL.

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

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on SB 201, which requires that the DBEDT Director adopt rules to require that gasoline sold in the State contain 10% ethanol by volume; provided that no gasoline sold is required to contain any ethanol unless ethanol or *biofuel crops* have been produced in Hawaii in *sufficient quantities and are available*. This prohibition, as written, raises several questions and concerns.

The method to determine what constitutes biofuel crops; the definition of "sufficient quantities;" and the process to determine what is, or could be considered to be, "available" are not spelled out in the bill.

We are concerned that these ambiguities could lead to difficulties in accurately interpreting and implementing the will of the Legislature.

Also, we are concerned that we do not have the resources necessary for the administration of this measure.

Thank you for the opportunity to offer these comments.

SB201

Submitted on: 1/30/2013

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

Submitted By	Organization	Testifier Position	Present at Hearing
Henry Curtis	Ililani Media	Support	No

Comments:



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 201, Relating to Ethanol

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 201 is to authorize the director of DBEDT to allow the sale of gasoline that doesn't contain ethanol unless sufficient quantities of locally produced ethanol or biofuel crops have been produced and are available to meet the requirements under existing law.

WSPA offers the following comments on SB 201:

The potential for a "start/stop/start" effect at the most basic regulatory level is extremely problematic for business. We believe that regulatory uncertainty is a case of the "worst of all worlds" and can have no positive outcome for Hawaii consumers. Hawaii's economy, business investment in Hawaii, deployment of capital for infrastructure improvements and many other factors hinge on regulatory certainty. This bill removes the basic premise of promoting a sound economy.

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 now 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 a 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 201, would modify the E10 mandate, however, 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 201, RELATING TO ETHANOL

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 purpose of SB 201 is to authorize the director of business, economic development, and tourism to allow the sale of motor vehicle gasoline that does not contain ethanol unless sufficient quantities of locally produced ethanol or biofuel crops have been produced and are available to meet the requirements under existing law.

HREA **opposes** this measure for the following reasons:

- 1) What does DBEDT Have to Say on this Subject? In DBEDT's "Biofuel Study – Final Report to the Legislature, in accordance with Act 203, Session Laws of Hawaii, 2011, dated December, 2012, DBEDT's recommended (pg. v, executive summary) maintaining the section 486J-10 ethanol fuel requirement, subject to consideration of modifying the requirement to include other biofuels. HREA fully supports this DBEDT recommendation
- 2) Need for Further Discussion. That said, we realize that there are many issues that require further discussion on the subject of mandates ethanol and other biofuels. Therefore, we recommend that SB 15 be the vehicle to carry forward the discussion on biofuel mandates.

Mahalo for this opportunity to testify

In Support of SB201 1-31-13 room 225 2:45PM

I am a boater and owner of a farm in Waimanalo. I use many small farm tools like chain saws, weed whackers, trimmer mowers and such on a regular basis. The addition of ethanol to my gas I use cost me thousands of dollars in cost due to broken down tools and repairs. The issue each time according to the mechanic was the ethanol in the gas.

I now have to drive long distances for boat gas and power tool gas which does not contain ethanol. I have heard many other stories like mine from others with motorcycles and outboard motors. Ethanol attracts water and is unfit for boat use. It attracts water and rusts carburetors out of small garden tools. I bought a new chain saw and it broke very quickly due to bad fuel. The piston had so much rust that it ruined the whole saw beyond repairs. It cost me 1200 dollars to get my carburetors repaired on my boat due to rust.

Drive time repair and replacement cost have left me with a huge carbon footprint due to the addition of ethanol to gas.

Please decrease the use of such additional fuels and promote the use of regular gas at more gas stations! Promote ore efficient engines and the science to correct this problem. But please do not continue down a flawed path of environmental misdirection. Renewable fuels yes but bad fuel NO!

Thanks,

Ron Tubbs

RT Distributors

COMMITTEE ON ENERGY AND ENVIRONMENT
Senator Mike Gabbard, Chair
Senator Russell E. Ruderman, Vice Chair

Regarding SB201, relating to ethanol.

I'm in support of SB201 which urges the expanded availability of ethanol-free gasoline, and also favors the use of locally produced ethanol as a fuel additive in Hawaii.

We have thousands of acres of fallow agricultural land that was previously used for raising sugar cane. If that's brought back into sugar production then it can become another step toward self-sufficiency. I believe Brazil's canefields were producing about 800 gallons of ethanol per acre.

If the same level of production per acre can be achieved here, then consider that there were 221,000 acres in cane production in the 1960's. That much land might provide 176 million gallons of ethanol, far more than we'd need as a gas additive.

Hawaii consumed 472 million gallons of gas in 2006. But if 10% ethanol is added to the gas, we need only 4.7 million gallons. The excess could be sold. Not only would Hawaii be a bit more self-sufficient, additional revenue would be coming into the islands as well.

Increasing the number of sources for non-ethanol gas has significant advantages as well. Many boats have fuel systems that can be wrecked by gas containing ethanol. This can result in expensive damage to engines and the stranding of boaters.

To avoid this problem, many boaters are forced to find ethanol-free gas, of which only a few dealers carry. Overall, this bill provides a win-win solution to many issues.

Thank you for your consideration.

Aloha,
Dean Sensui
Executive Producer
Hawaii Goes Fishing

SB201

Submitted on: 1/30/2013

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

Submitted By	Organization	Testifier Position	Present at Hearing
Kerri Marks	Individual	Comments Only	No

Comments: Ethanol production in the US has not been sufficient enough to support the 10% fuel mix mandate. According to the EPA, 8.7 million gallons of ethanol must be produced to meet this mandate. Last year ethanol producers made only 20,000 gallons. Last week the DC District Court ruled that the U.S. government exceeded its authority by requiring refiners to purchase cellulosic biofuel despite the fact the next-generation fuel is not commercially available. DBEDT should eliminate this mandate, whether or not biofuels or ethanol are locally produced.

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

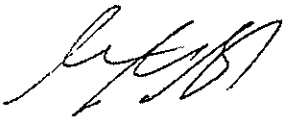
Thursday, January 31, 2013

Testimony in Support of SB 201, Relating to Ethanol

I am a commercial fisherman on Oahu, and am testifying in support of SB 201, which would increase the availability of non-ethanol fuel in Hawaii. Fuel containing 10% ethanol is a major concern for boat operators, since it can be damaging to marine engines and fuel systems. It is often difficult and expensive to obtain ethanol-free gasoline in Hawaii, which puts an additional burden on what is already a difficult job. Allowing boat owners greater access to clean fuel would be of benefit to us and many other ocean users.

If, as stated in the bill, ethanol cannot be produced in Hawaii and must be imported, selling E-10 gasoline makes no sense from an environmental or economic standpoint. SB 201 would therefore benefit the people of Hawaii in more ways than one. Please pass this bill out of committee.

Thank you for the opportunity to testify,

A handwritten signature in black ink, appearing to read 'Matthew Ross', written in a cursive style.

Matthew Ross

SB201

Submitted on: 1/30/2013

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

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Jellings Sr	Individual	Support	No

Comments: Aloha Senator Gabbard and Members of ENE In Strong Support . When Your coming home in crappy seas there's no way Tou want to be using ethanol blended fuel. Mahalo for allowing me Testimony Aloha Carl P Jellings Sr