



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Richard C. Lim
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Tuesday, March 18, 2014
9:00 a.m.

State Capitol, Conference Room 312

in consideration of
SB 2198, SD1, HD1
RELATING TO RENEWABLE FUELS.

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 2198, SD1, HD1, which establishes a task force within DBEDT to perform a feasibility study and propose legislation for locally produced renewable fuels blending mandates, assuming adequate funding levels are provided to support this measure. This measure appropriates an unspecified amount to support the functions of the Task Force.

DBEDT estimates that adequate funding for this measure would be \$570,000, covering consulting fees and department staff over a two year period. Should the committee decide to proceed with this measure, we respectfully request that the additional funding requirement should not replace or adversely impact priorities indicated in our Executive Budget.

Moreover, DBEDT defers to the Public Utilities Commission (PUC) on the regulatory and rate impacts of a potential locally produced renewable fuels mandate, and expresses concern about measures that might usurp the PUC's authority in this regard.

Thank you for the opportunity to offer these comments.

**Testimony of
Gary M. Slovin / Mihoko E. Ito
on behalf of
The Alliance of Automobile Manufacturers**

DATE: March 15, 2014

TO: Representative Clift Tsuji
Chair, Committee Economic Development & Business
Submitted Via EDBtestimony@capitol.hawaii.gov

RE: **S.B. 2198 SD1 HD1 – Relating to Renewable Fuels**
Hearing Date: Tuesday, March 18, 2014 at 9:00 a.m.
Conference Room: 312

Dear Chair Tsuji and Members of the Committee on Economic Development and Business,

On behalf of the Alliance of Automobile Manufacturers (“Alliance”) we submit these comments regarding S.B. 2198 SD1 HD1.

The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of North America, and Volvo.

The Alliance is in **support** of S.B. 2198 SD1 HD1. The Alliance and its members have invested billions of dollars in developing engines that will use a variety of fuels. These include electric vehicles, full flex vehicles, diesel vehicles that can use biofuels and hydrogen. The manufacturers have also worked hard to make standard vehicles close to emission free with very high miles per gallon. As an example, the Alliance is very involved in the pilot program in California to establish nearly 100 hydrogen fueling stations in certain areas of California.

The Alliance supports the development of bio fuels. As we have noted earlier, such biofuels need to meet standards such that these fuels can be used without harm to diesel engines. And biofuels are being used in diesel engines today. Today, these fuels cannot be used in standard gasoline engines. However, technologies are continuing to be developed in an effort to make the standard motor vehicle less dependent on the use of fossil fuels.

Gary M. Slovin
Mihoko E. Ito
Tiffany N. Yajima
Jennifer C. Taylor

1099 Alakea Street, Suite 1400
Honolulu, HI 96813
(808) 539-0840

In recent years, the Alliance has been an active supporter and member of the Transportation Working Group of the Hawaii Energy Policy Forum. We believe that those discussions have been useful as the various stakeholders who have participated have been able to educate themselves and others about the various issues involved with developing alternative fuels. What has been developed so far in terms of gas mileage and the development of alternative fuels could probably not have been anticipated just a few years ago. The Alliance is very interested in participating in further discussions on this important subject and is pleased that it has been named as a member of the task force. Just as we have been active in the Transportation Working Group, the Alliance will be an active participant in the task force and believes that the task force can accomplish a great deal in meeting the objectives of Senate Bill 2198 SD1 HD1.

Thank you for the opportunity to submit testimony on this bill.



40 Hobron
Avenue Kahului,
Hawaii 96732 (808)
877-3144
Fax (808) 877-
5030
www.biodiesel.com

March 16, 2014

**Testimony on Senate Bill 2198, SD1, HD1 Relating to Renewable Fuels
SUPPORT**

Committee on Economic Development and Business
Representative Clift Tsuji, Chair
Representative Gene Ward, Vice Chair
Hearing March 18, 2014 at 9:00am, House Conference Room 312

Dear Chair Tsuji, Vice Chair Ward and Committee Members,

While not a fan of task forces given the urgency of climate change and the need for action, Pacific Biodiesel supports this bill to move Hawaii forward with respect to local renewable fuel production. Since the legislation seems to be a clear mandate to focus on how to implement and increase usage rather than "if" it should happen, we believe this legislation will have significant impact and Pacific Biodiesel looks forward to participating in the task force.

This effort is increasingly important to Hawaii's clean energy goals, given the focus on price and the current interest in "cheap" LNG which threatens to set back the progress our state has made in renewable energy production and distribution. SB 2198 supports the State of Hawaii's interest in becoming more energy self-sufficient and will aid in reaching our state clean energy goals for Transportation which have made extremely slow progress compared with our electric utility goals.

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 the State to put the focus on Transportation to help fulfill the goal of 40% renewable fuels by 2030. Meanwhile, the petroleum industry with whom we must compete enjoys on-going, statutory support at all levels of government.

We ask you to pass SB2198, SD1, HD1 to support the continued efforts of those who are dedicated to producing renewable fuel throughout the State of Hawaii.

Mahalo,

Kelly T. King

Kelly Takaya King, Vice President
ktk@biodiesel.com



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

SB 2198 SD1 HD1, RELATING TO RENEWABLE FUELS

March 18, 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 SB 2198 SD1 HD1 are to: (i) establish the renewable fuels task force within the department of business, economic development, and tourism, (ii) require the renewable fuels task force to perform a feasibility study involving locally produced renewable fuel, and (iii) require the renewable fuels task force to report its findings and recommendations to the legislature

HREA **supports** this measure with the following comments and recommendations:

- 1) Comments. This measure supports our clean energy goals for transportation by supporting a study on renewable fuels which hopefully:
 - a) will result in a collegial discussion of how we might move forward together to increase our use of renewable fuels in Hawaii, and
 - b) provide legislation appropriate to memorialize the results of the feasibility study.
- 2) Recommendations: We recommend the committee pass this measure out to facilitate further discussion on this important subject matter.

Mahalo for this opportunity to testify.



Chevron Products Company
91-480 Malakole Street
Kapolei, HI 96707
Tel 808 682 2313
Fax 808 682 3116

March 18, 2014
Hawaii State Capitol, Room 312

Senate Bill 2198 SD1, HD 1: Relating to Renewable Fuels

Aloha Chair Tsuji and Vice Chair Ward, and members of the House Economic Development and Business committee:

We offer comments regarding Senate Bill 2198, SD 1, HD 1, relating to renewable fuels.

SB 2198, SD 1, HD 1 establishes the renewable fuels task force within the Department of Business, Economic Development, and Tourism. This bill requires the renewable fuels task force to perform a feasibility study involving locally produced renewable fuels and requires the renewable task force to report its findings and recommendations to the Legislature.

Chevron Products Company (Chevron) offers the following comments and recommendations:

The primary tasks of the Task Force are consistent with the Biofuels Study required by Act 203, Sessions Law of Hawaii, 2011. The conclusions of DBEDT's report entitled, *Biofuels Study Final Report to the Legislature In Accordance with Act 203, Session Laws of Hawaii, 2011* (DBEDT, December 2012) report was submitted to the Legislature in December 2012. It is not clear why a Task Force is now needed, and whether spending \$570,000 is justified and a prudent use of taxpayer dollars.

Should the House Economic Development and Business committee decide to proceed with a Task Force, the make-up should include all parties that are potentially impacted including both refiners and other petroleum supply chain participants. To include a broad spectrum of directly affected parties would permit a more collaborative dialog and likely lead to a better result.

Thank you for the opportunity to offer these comments.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 4:39 PM
To: edbtestimony
Cc: lho@hawaiiublicpolicy.com
Subject: Submitted testimony for SB2198 on Mar 18, 2014 09:00AM
Attachments: 20140318 Chevron SB2198 Relating to Renewable Fuels Task Force COMMENTS.pdf

SB2198

Submitted on: 3/17/2014

Testimony for EDB on Mar 18, 2014 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Albert Chee	Chevron	Comments Only	No

Comments: Senate Bill 2198 SD1, HD 1: Relating to Renewable Fuels Aloha Chair Tsuji and Vice Chair Ward, and members of the House Economic Development and Business committee: We offer comments regarding Senate Bill 2198, SD 1, HD 1, relating to renewable fuels. SB 2198, SD 1, HD 1 establishes the renewable fuels task force within the Department of Business, Economic Development, and Tourism. This bill requires the renewable fuels task force to perform a feasibility study involving locally produced renewable fuels and requires the renewable task force to report its findings and recommendations to the Legislature. Chevron Products Company (Chevron) offers the following comments and recommendations: The primary tasks of the Task Force are consistent with the Biofuels Study required by Act 203, Sessions Law of Hawaii, 2011. The conclusions of DBEDT's report entitled, Biofuels Study Final Report to the Legislature In Accordance with Act 203, Session Laws of Hawaii, 2011 (DBEDT, December 2012) report was submitted to the Legislature in December 2012. It is not clear why a Task Force is now needed, and whether spending \$570,000 is justified and a prudent use of taxpayer dollars. Should the House Economic Development and Business committee decide to proceed with a Task Force, the make-up should include all parties that are potentially impacted including both refiners and other petroleum supply chain participants. To include a broad spectrum of directly affected parties would permit a more collaborative dialog and likely lead to a better result. Thank you for the opportunity to offer these comments.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**TESTIMONY COMMENTING ON SENATE BILL 2198, SENATE DRAFT 1, HOUSE DRAFT 1,
RELATING TO RENEWABLE FUELS**

House Committee on Economic Development and Business
The Honorable Clift Tsuji, Chair
The Honorable Gene Ward, Vice Chair
Tuesday, March 18, 2014 – 9:00 a.m.
State Capitol, Room 312

Chair Tsuji, Vice Chair Ward and members of the Committee,

Thank you for the opportunity to submit comments regarding SB 2198, SD 1, HD 1, relating to renewable fuels. My name is Lance Tanaka, director of government and public affairs for Hawaii Independent Energy, LLC (“HIE”). HIE is a subsidiary of Par Petroleum Corporation and operates the larger of the state’s two petroleum refineries.

The purpose of this bill is to create a task force within the state Department of Business, Economic Development and Tourism to perform a feasibility study and propose legislation for increasing locally produced renewable fuel usage in the state.

HIE offers the following comments:

Biofuels study: In 2011, the Hawaii Legislature tasked the state energy coordinator to conduct a study and issue a preliminary and a final report on the conditions and policies necessary to expand biofuel production in the State to displace a significant amount of petroleum-based liquid fuel (preamble from Senate Bill 147, Conference Draft 1, enacted as Act 203, SLH 2011). The state’s consultant, ICF International, completed a study¹ in December 2012. The study concluded that while allowing gasoline distributors to count other biofuels (biodiesel, renewable diesel, or renewable gasoline) towards required volumes would be consistent with the policy direction of the state and could be considered, *no additional fuel mandates are currently needed*. In light of the study’s findings, HIE asks the committee to consider whether convening a task force is necessary and the best use of taxpayers’ dollars.

Unintended consequences of blending mandates: One of the methods for increasing usage of locally produced renewable fuels that the proposed task force is likely to consider is to require distributors to blend other biofuels. HIE is obligated to remind lawmakers that Hawaii’s 10 percent ethanol blending mandate, which went into effect in April 2006, was froth with

¹Hawaii Department of Business, Economic Development & Tourism: “Biofuels Study – Final Report to the Legislature in Accordance with Act 203, Session Laws of Hawaii, 2011”

unintended consequences that adversely impacted consumers as well as refiners and distributors. Furthermore, one of the key provisions of the current blending law, to resurrect Hawaii's sugar cane industry in order to produce ethanol locally, remains unrealized. Measures requiring the blending of up to five percent biofuel into road diesel that were considered in previous legislative sessions were opposed by the local petroleum industry due to the potential for cross-contamination of jet fuel as products are transferred via common-carrier pipelines. Distributors that are required by law to blend the biofuel tend to bear a disproportionate amount of the risks and liabilities.

Amendments: If a task force is to be convened, then HIE recommends broadening the stakeholders who are represented on the task force. HIE notes that the Hawaii chapter of the Western State Petroleum Association disbanded when Tesoro Hawaii was being acquired by Par Petroleum in 2013. The Chevron and HIE refineries should each have a representative at the table since their processing facilities are configured differently. Additionally, consideration should be given towards offering non-refining distributors representation on the task force.

SECTION 2. (a) There shall be established within the department of business, economic development and tourism a task force on renewable fuels. The task force shall examine:

- (b) The task force shall be comprised of:
 - (4) Representatives from the following organizations who shall be requested to serve on the task force:
 - (A) ~~The Western States Petroleum Association~~ Chevron Hawaii refinery;
 - (B) Hawaii Independent Energy refinery;
 - (~~B~~C) Non-refining distributors (i.e. Aloha Petroleum, Mid Pac Petroleum, etc.);
 - (~~C~~D) The Hawaii Automobile Dealers Association;
 - (~~D~~E) The Alliance of Automobile Manufacturers; and
 - (~~E~~F) The Airlines Committee of Hawaii; and

Thank you for allowing Hawaii Independent Energy the opportunity to present these comments and recommended amendments for your consideration.