NEIL ABERCROMBIE GOVERNOR

> RICHARD C. LIM DIRECTOR

MARY ALICE EVANS DEPUTY DIRECTOR



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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 CONSUMER PROTECTION AND COMMERCE** Monday, March 25, 2013

Monday, March 25, 2013 3:00 p.m. State Capitol, Conference Room 325

in consideration of SB 15, SD 2, HD1 RELATING TO ENERGY.

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT)

offers comments on SB 15, SD 2, HD1, which would: 1. Establish, within DBEDT, a task

force to examine changing the 10% ethanol requirement for gasoline to a locally-

produced biofuels and biodiesel requirement; and 2. Replace the existing ethanol

facility tax credit with a production tax credit for biofuels produced within the state.

We defer to the State Department of Taxation on tax issues and implementation,

and to the Attorney General's Office on the constitutionality of the measure.

Among DBEDT's concerns are:

 The additional financial and human resources to develop and administer this program, including (page 3, line 21) reimbursing task force members for expenses, are not covered under DBEDT's present budget.

- The tax credit for fuels "produced within the State" (page 10, line 13) appears to be in conflict with the commerce clause of the U.S. Constitution.
- 3. We are concerned that there are several ambiguities in the bill which could lead to difficulties in accurately interpreting and implementing the will of the Legislature. For example:
  - a. For the task force, the sixth member (page 3, line 16) is to be "a representative of Pacific Biodiesel." The seventh member (page 3, line 17) is to be "a representative of a leading producer of biodiesel in Hawaii." Since Pacific Biodiesel is the only commercial-scale producer of biodiesel in Hawaii, are there to be two individual members from the company, or would one member be allowed to fill both roles?
  - b. For the tax credit, the applicability of the phrase "each taxpayer producing qualifying biofuels" (page 6, line 12) is unclear. Does it apply to facility owner(s), investor(s), operator(s), or others?
- Finally, we question the effectiveness of the proposed credit in influencing investment in biofuel facilities.

Thank you for the opportunity to offer these comments.





### HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

March 25, 2013, 3:00 P.M. Room 325 (Testimony is 2 pages long)

#### **TESTIMONY IN SUPPORT OF SB 15 SD2 HD1**

Chair McKelvey and members of the Consumer Protection & Commerce Committee:

The Blue Planet Foundation supports SB 15 SD2 HD2, establishing a task force to examine the impacts of a renewable fuels mandate (in place of the ethanol requirement) and establishing a biofuel production tax credit in place of the existing limited ethanol credit. This measure advances two policies to accelerate the development of Hawai'i-based renewable fuels production: studying a renewable fuels requirement (correcting the existing requirement) and creating a biofuel production tax credit (applicable to all biofuels and based on actual production as opposed to facility cost).

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.

We support creation of a task force to examine the potential effects of expanding the existing motor fuel requirement to all biofuels, rather than specifically just ethanol. We concur that, despite several planned ethanol plants and an abundance of vacant sugar land, no ethanol production plants have been built, and we appreciate the broader support for all biofuels, allowing for consumer choice and the best technologies to emerge.

Blue Planet strongly supports the establishment of a broad biofuel production tax credit. Such a credit incentivizes what Hawai'i needs—the efficient production of biofuel—instead of simply providing credit for capital investment in facilities. We appreciate that House Draft 1 of SB 15

SD2 defines biofuels for the purposes of the credit as "*liquid fuels produced within the State from renewable feedstocks transported less than one thousand miles from point of origin to the production facility located within the State*". This will avoid an undesirable situation where feedstocks are imported for the development of biofuel.

This measure advances two key policies to help develop Hawai'i's biofuel production capacity. We support its passage.

Thank you for the opportunity to testify.

#### HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

#### March 25, 2013

#### Senate Bill 15, SD2, HD1 Relating to Energy

Chair McKelvey and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing General Motors LLC (GM).

General Motors supports the intent of Senate Bill 15, SD2, HD1 Relating to Energy which creates a task force to examine the standards for biofuels used in automobiles. The task force should take into account the standards currently used or planned in the future by automakers.

Thank you for the opportunity to present this testimony.

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

 DATE: March 24, 2013
TO: Representative Angus L.K. McKelvey Chair, Committee on Consumer Protection & Commerce *CPCtestimony@capitol.hawaii.gov* RE: S.B. 15 S.D.2, H.D.1--Relating to Energy Hearing Date: Monday, March 25, 2013 at 3:00 pm

**Conference Room 325** 

Dear Chair McKelvey and Members of the Committee on Consumer Protection & Commerce:

We submit these **comments** on behalf of the Alliance of Automobile Manufacturers ("Alliance") regarding S.B. 15 S.D 2, H.D.1.

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 appreciates that the House Committee on Energy and Environmental Protection turned Part 1 of the bill into a ask force. We would, however, recommend the following amendments to the language in Part I:

1) Amending the description of the subject of the task force (page 2, lines 3-10 and page 2, lines 13-21) to read:

To examine **the feasibility of and any proposed legislation for** <del>potential changes to the</del> <del>existing law requiring ten per cent ethanol fuel content in gasoline to a requirement that</del> <del>each distributor who sells liquid fuels in the State for use in motor vehicles shall ensure</del> <del>that a) utilizing</del> locally-produced biofuels **to** account for **up to** <del>at least</del> five per cent of the distributor's annual sales of liquid fuels for motor vehicles by volume; **and** <del>provided that</del> <del>for diesel fuel, sales of b) of requiring up to no more than</del> five per cent of locally-produced biofuels **in diesel fuels** <del>shall be required</del>.

Gary M. Slovin Mihoko E. Ito Tiffany N. Yajima Nicole A. Velasco 1099 Alakea Street, Suite 1400 Honolulu, HI 96813 (808) 539-0840 2) Including a representative of the Alliance of Automobile Manufacturers as a member of the task force.

The Alliance can and is willing to bring its expertise to the table as part of the task force. The Alliance supports the development of biofuels, but that development must be based on scientific principles. We believe that issue needs to be carefully studied, with input from persons who know what it takes to make fuel and make cars that run. Any proposed legislation requiring the use of biofuels needs to be carefully crafted, in order to avoid the potential for stopping the use of standard gas fueled motor vehicles in Hawaii. If a non-standard fuel requirement is enacted, manufacturers cannot sell vehicles that are not shown by test to be able to run on commercially available fuels. No other State, including California, has considered legislation with these potentially severe consequences. For these reasons, we believe that our requested amendments would provide the task force the flexibility needed to study this subject and propose appropriate legislation.

Thank you for the opportunity to testify on this bill.



March 22, 2013

Representative Angus McKelvey, Chair Representative Derek Kawakami, Vice Chair Committee on Consumer Protection & Commerce

HEARING: Monday March 25, 2013, 3:00pm, Conference Room 325

#### RE: In support of Senate Bill 15, House Draft 1, Relating to Energy

Dear Chair McKelvey, Vice Chair Kawakami and Members,

Pacific Biodiesel Technologies (PBT) supports Senate Bill 15, House Draft 1, which establishes a biofuel production tax credit in place of the prior ethanol facility tax credit and creates a task force to further study the potential of expanding the state fuel mandate to include fuels other than ethanol. With the change from the previous version of SB15, however, we do feel there is a need to add the requirement in Part II that qualifying fuels meet or exceed industry standards and offer the following suggestion for insertion in Part II, Section 4, paragraph J (p.10, line 16):

... within the State, provided that the fuels shall meet or exceed the relevant ASTM International specifications of latest issue, including:

As a pioneering leader in the biodiesel industry, 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 successfully operated biodiesel production plants in this 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 and fuel distillation resulting in the country's highest quality premium biodiesel. This latest investment was built with local equity, debt service, and our faith in the State's commitment to the Hawai'i Clean Energy Initiative. We deeply appreciate the support reflected in House Draft 1 of Senate Bill 15 which we believe will lead to biofuels production expansion that otherwise would not happen.

PBT truly exemplifies the words of our mission in everything that we do: *To promote a clean, sustainable energy future through the community-based production of renewable fuels.* While the work has been difficult, our employees and investors are committed to ensuring that locally produced biodiesel benefits the local residents in our communities right here at home while also making a positive impact on our island environment and providing consumer's with a cleaner, healthier, more sustainable fuel choice. Additionally, it is important to develop alternatives for the aspect of competitive pricing. In the areas where PBT has our own pump stations (Kahului, Maui and Kea'au, Hawaii), we have kept our prices tied to our cost of production rather than to the price of imported petroleum, and we firmly believe it has had a positive affect on local diesel prices.

Almost 2 billion gallons of petroleum were imported into Hawai`i in 2012 for the state's energy use at a cost of more than \$5 billion. As a result, approximately 10% of Hawai`i's Gross State Product (GSP) leaves the state each year to go to foreign countries on account of petroleum spending. At the same time, our geographic location makes us particularly susceptible to higher fuel prices due to overseas oil transportation costs. Currently, Hawai`i relies on imported petroleum for close to 85% of its energy, which poses a serious energy security challenge and puts the state at risk for trade deficits, supply disruption, and price fluctuation.

To alleviate the issues of energy security, high cost, and environmental impact associated with petroleum, it is clear that significant development of alternative energy technologies is necessary. Using biodiesel instead of conventional diesel reduces emissions such as the overall life cycle of carbon dioxide (CO2) emissions, particulate matter, carbon monoxide, sulfur oxides (SOx), volatile organic compounds (VOCs), and unburned hydrocarbons. And Pacific Biodiesel's 17-year history has proven that biodiesel works in existing diesel engines with existing fuel delivery infrastructure.

The Hawai'i biodiesel production in-state capacity currently surpasses six million gallons a year and PBT is now managing more than 50 employees statewide. Our testimony today represents the management and staff of these taxpaying residents and the families who rely on their income, as well as the interests of over 35 individual Hawai'i-based investors in PBT and Big Island Biodiesel. We are all here in spirit today to ask you to help us help our State in reaching its clean energy goals. It is the hope of all of us that SB15 will advance in its proposed form and be a catalyst for significant expansion of the biofuel industry in Hawai'i as well as the diversified agriculture that will support biodiesel production, add jobs, keep open space and help develop the food and fuel security that so many of our state officials and community leaders have promised to support.

We humbly ask that you consider the many ways that Hawaii residents benefit from the production of renewable, sustainable, community-based biodiesel and please pass SB15, HD1.

Sincerely,

Bob King, President (808) 283-4102

Samuel W. Millington, CEO (808) 446-4690

Kelly King, Vice President (808) 283-1954



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

March 24, 2013

# TESTIMONY ON Senate Bill 15, HD1, REATING TO ENERGY SUPPORT

Committee on Consumer Protection & Commerce Representative Angus McKelvey, Chair Representative Derek Kawakami, Vice Chair

#### Hearing March 25, 2013 at 3:00pm, House Conference Room 325

Dear Chair McKelvey, Vice Chair Kawakami and Committee Members,

As a board member, and the manager of a local group of investors representing Big Island Biodiesel, LLC; we thank you for including the Biofuels Production Tax Credit in House Draft 1 of Senate Bill 15 for consideration by your committee. Your support for a cleaner and greener future for Hawaii has not gone unnoticed. We wholeheartedly testify in favor of SB15, HD1.

This bill supports biofuels that can be made locally, such as biodiesel. If SB15, HD1 is passed, it will pave the way for increased use of marginal farm lands for biodiesel crops that can thrive there, increase the jobs in the farming industry and help farmers use their land more efficiently. As is the case with many biodiesel crops, there is a triple net for farmers: Oil sale, high value vegetable protein sale, and the rest of the plant which can be sold for silage (cattle feed). So by passing SB15, HD1 you will really be passing a farm bill, a jobs bill, an environmental bill, and a bill ensuring Hawaii and America's energy security. Not many laws can make that claim!

With local biodiesel production -via the new state of the art Big Island Biodiesel plant- capacity now equal to about 10% of the transportation diesel usage in the state, the passage of SB15, HD1 will have a meaningful impact on our use of more environmentally and sustainable fuel. In addition, locally produced biodiesel tends to be much more stable in price, compared to the often alarming jumps in traditional diesel.

With the passage of SB15, HD1, the committee can be assured that you are creating the foundation to biofuel technologies that are ready to meet the state's needs today, tomorrow and into the future!

We ask you to please pass SB15, HD1.

Mahalo,

Matthias Kusch Member, Board of Managers Big Island Biodiesel, LLC

From:	mailinglist@capitol.hawaii.gov
Sent:	Friday, March 22, 2013 6:36 PM
To:	CPCtestimony
Cc:	jgriffith@biodiesel.com
Subject:	*Submitted testimony for SB15 on Mar 25, 2013 15:00PM*

#### <u>SB15</u>

Submitted on: 3/22/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
John G. Griffith	Individual	Support	No

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.

From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, March 23, 2013 4:43 AM
То:	CPCtestimony
Cc:	seanlester@usa.net
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/23/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Sean Lester	Individual	Support	No

Comments: With the closing of Tesoro and possibly Chevron, its imperative we support locally refined fuels. A change of the structure allowing this wiser approach to taxation is a step in the right direction. Please support this bill. Mahalo.

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.

From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, March 23, 2013 6:26 AM
To:	CPCtestimony
Cc:	rickmiller@mauiwaste.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/23/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Rick Miller	Individual	Comments Only	No

Comments: I'm in favor of this bill

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From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, March 23, 2013 7:27 AM
То:	CPCtestimony
Cc:	danmizner@gmail.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/23/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Daniel Mizner	Individual	Support	No

Comments: I have been using biodiesel for more than 15 years now and I fully support its use. I very much encourage you to pass this bill that will help local companys to produce this fuel.

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.

From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, March 23, 2013 5:08 PM
To:	CPCtestimony
Cc:	erinwooldridge@gmail.com
Subject:	*Submitted testimony for SB15 on Mar 25, 2013 15:00PM*

#### <u>SB15</u>

Submitted on: 3/23/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Erin Wooldridge	Individual	Support	No

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.

From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 7:50 AM
To:	CPCtestimony
Cc:	bethmathias@hawaii.rr.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Elizabeth Mathias	Individual	Support	No

Comments: I support SB 15. Help Hawaii meet its renewable energy goals by passing this bill.

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From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 9:31 AM
То:	CPCtestimony
Cc:	mkusch@msn.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Matthias Kusch	Individual	Support	No

Comments: This is a crucial bill that will help Hawaii with energy independence, local jobs, increase local farming production, and keep our energy dollars within the State of Hawaii. Please support this bill through passage. Thank you, Matthias Kusch Hawaii Island

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.

From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 11:15 AM
To:	CPCtestimony
Cc:	zanemathiasmaui@gmail.com
Subject:	*Submitted testimony for SB15 on Mar 25, 2013 15:00PM*

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
zane mathias	Individual	Support	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 1:38 PM
То:	CPCtestimony
Cc:	mauicrowe@gmail.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
james crowe	Individual	Support	No

Comments: Hawaii needs to take this kind of opportunity to reduce our dependence on fuel from other countries.

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From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 1:57 PM
To:	CPCtestimony
Cc:	Ckarady@mac.com
Subject:	Submitted testimony for SB15 on Mar 25, 2013 15:00PM

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Carmen Karady	Individual	Support	No

Comments: Please support this bill.

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From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 2:05 PM
To:	CPCtestimony
Cc:	DocMaui@mac.com
Subject:	*Submitted testimony for SB15 on Mar 25, 2013 15:00PM*

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Norman Estin, MD	Individual	Support	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Sunday, March 24, 2013 2:56 PM
To:	CPCtestimony
Cc:	rochellewooldridge@gmail.com
Subject:	*Submitted testimony for SB15 on Mar 25, 2013 15:00PM*

#### <u>SB15</u>

Submitted on: 3/24/2013 Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

Submitted By	Organization	<b>Testifier Position</b>	Present at Hearing
Rochelle Wooldridge	Individual	Support	No

Comments:

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