

## **Biodiesel, ethanol in race to fill 'er up**

Proponents of both fuels compete for research money, tax credits

**Pacific Business News (Honolulu) - September 1, 2006**

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A quiet race is under way in Hawaii between two alternative fuel technologies -- biodiesel and ethanol.

Researchers and entrepreneurs met in Honolulu two weeks ago for the state's first-ever "biofuel summit." Moods were cordial, outlooks upbeat, and there was a lot of talk about "co-existing" peacefully and profitably.

But once the meeting was over, representatives from both industries were quick to condemn the other's power output, pollution, price and practicality.

At stake are millions in state and federal funds to encourage development of new fuels to replace or supplement oil.

"There's a lot of taxpayer dollars being set aside for renewable fuels," said Henry Curtis, executive director of Life of the Land, a nonprofit environmental group. "Whoever can prove they're the most viable first, gets the biggest chunk."

Among the incentives are those contained in Gov. Linda Lingle's 2006 "Energy for Tomorrow" bill, which aims to make Hawaii produce 20 percent of its energy needs from in-state renewable sources by 2020.

For biofuels, the plan offers tax incentives, ensures demand and allocates more than \$350,000 for renewable fuel "crop" research.

And from the sound of state officials at the summit, including Lingle, the state is prepared to write even bigger checks to biofuel companies that prove they will help wean Hawaii off its petroleum addiction.

Of the two technologies, biodiesel -- which works in any diesel engine and is generally made from used-cooking oil -- is the only industry actually producing a product in Hawaii.

Only one company sells it in Hawaii -- Pacific Biodiesel. The Maui-based business sells more than 50,000 gallons of its fuel every month at its two Hawaii stations. As of Aug. 30, the price for a gallon of biodiesel at its Oahu station was \$2.91 compared to the isle average of \$3.44 for petroleum diesel.

Even though only a fraction of all vehicles run on diesel, the company hasn't been able to keep up with the demand.

Kelly and Bob King, who started Pacific Biodiesel in 1996, said they can't find any more restaurant grease to turn into fuel.

### **'Lip service' from state**

Kelly King says she can solve that problem by growing oil crops -- such as peanuts -- and converting them into enough biodiesel to replace all of Hawaii's petroleum diesel. That's what she's doing at her nine other plants on the Mainland, such as the one in Texas, which they co-own with country music singer and part-time Maui resident Willie Nelson. That plant converts cottonseed oil to fuel.

But King doesn't know which crops work best in Hawaii, and says that kind of research and development is too expensive for a company that grossed \$3.3 million in 2005 and has only 23 employees. She has asked state officials for a \$1.5 million grant to conduct crop research, but says all she's received is "lip service."

"The state likes to invest in things that aren't real," she said. "Yet, we still don't have an ethanol or hydrogen plant. If it keeps going like this, we'll have to move our operations to a state that wants to help."

State Sen. Kalani English, D-E. Maui-Molokai-Lanai and chairman of the Senate Energy Committee, said the Kings have to find their own financing to move ahead.

"They need to use their own money to invest in their own development rather than have the people of Hawaii pay for it," he said. "They are only one company, and we [the Legislature] don't fund private companies."

Kelly King called English's statement "bogus."

"Last time I checked, Gay & Robinson was a private company," she said, referring to tax credits that are expected to pay for all \$36 million of Gay & Robinson's planned Kauai ethanol plants. "I think it has to do with his [English] personal prejudices because we've received support from the governor's office in the past and he's so against anything that comes from her office."

King said the money she's asking for will benefit the entire biodiesel industry in Hawaii. For now, that's only Pacific Biodiesel, but competition appears to be around the corner.

Three Mainland biodiesel companies attended the recent biofuels summit in Honolulu, and Ted Liu, director of the state Department of Business, Economic Development and Tourism, says one already applied for a business license in Hawaii.

### **States love ethanol**

Lawmakers have passed at least 22 measures since 1987 to help develop an ethanol industry in Hawaii, just as other states, mostly in the Midwest, have financially supported the use of corn for ethanol.

In 2004, legislators passed Act 140, which gives ethanol companies a 30-cents-per-gallon refundable investment tax credit once they have made the fuel.

Gay & Robinson will use Act 140 to pay for its ethanol plant, which is expected to produce ethanol by the first half of 2007.

"In effect, the state is building the plants for us," Alan Kennet, president of Gay & Robinson, told a Florida newspaper several weeks ago.

To ensure companies like Gay & Robinson have local customers, the Legislature in April made it mandatory that 85 percent of all gasoline sold in Hawaii contain 10 percent ethanol.

Five companies have plans to build ethanol plants in Hawaii, but some aren't convinced it's the answer

to the state's efforts to diversify its fuels.

"We've been looking at ethanol for 20 years and it wasn't efficient then, so why is it now," Curtis said. "I expect the latest ethanol craze has more to do with high-paid lobbyists than it being a viable source."

Sam Monet, vice president of Aloha Ethanol Corp., says opinions like Curtis' are out of date.

"They don't have a clue about what has happened in the last few years," Monet told PBN. "Ethanol technology -- for the vehicles and the fuel -- have taken huge steps in the last couple years."

Monet said his company can make 115 gallons for every ton of feedstock like sugar cane, though he acknowledged that cane isn't the best crop for fuel.

So what is the best crop? That's what Hawaii's ethanol companies want to know, and -- just like the Kings for biodiesel -- they are asking the state to find out through research grants.

The state hasn't decided yet how it's going to divide the \$350,000 it appropriated.

"We have to make sure it's market-driven and not just reliant on tax credits and state help," Lingle told PBN. "But competition will help us meet our energy goals."

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