

April 2006

Hawaii to meet E10 mandate with imported ethanol

April 2 marks the deadline when at least 85 percent of gas distributed in Hawaii must be 10 percent ethanol. Some distributors will actually beat the deadline, but none will be serving locally produced ethanol. Contrary to what legislators anticipated when the mandate was passed two years ago, the estimated 40 MMgy of ethanol will be imported for at least a year. None of the six ethanol plants proposed in the state will be producing before 2007.

In April 2005, EPM reported that proposed ethanol plants might be delayed due to permitting issues. It also reported that four projects were on track to start production in early 2006. One year later, all six proposed plants are delayed for reasons including permitting, financing and construction planning. All plants are now slated for 2007 production.

According to a list published by the Hawaii Department of Business, Economic Development and Tourism (DBEDT), The Oahu Ethanol Corporation expects to start production by the first quarter of 2007. DBEDT's list also shows that Global Power Generation Inc. will not come on line until December 2007. Maui Ethanol LLC and Kauai Ethanol LLC plan to come on line in the second quarter of 2007, according to Scott Matsuura, representative of project coordinator Pacific West Energy. Eric Darmstaedter, CFO of Clearfuels Technology Inc., told EPM that his company will start construction by the end of 2006 and will be producing in 2007. The sixth ethanol plant could not be reached for comment.

While the law cannot require distributors to purchase locally produced ethanol, it could be an attractive prospect. Hawaii has historically had the highest gas prices in the United States because of the high cost to freight fuel to the islands. An ethanol producer representative told EPM that local plants would be able to sell ethanol at a cheaper price because the freight cost is eliminated. To meet the E10 mandate, some distributors will freight ethanol from the mainland while others will rely on foreign imports. Aloha Petroleum, for example, will import its ethanol from the Caribbean.

Because Hawaii imports more petroleum than any other state, there is a "great bipartisan push to do whatever we can to reduce prices," Darmstaedter said. "If we can produce biofuels cheaper, we want to do that."

Hawaii was the second U.S. state to enact a 10 percent ethanol mandate, following Minnesota. The motivation for the legislation was to reduce Hawaii's dependence on imported oil, create an alternative market for sugarcane growers and to utilize waste for energy. When Hawaiian ethanol plants do come on line, they will be able to access the untapped potential from agriculture and plant waste.

For more information on ethanol in Hawaii, visit <http://new-fuel.com>