

SIERRA CLUB HAWAII CHAPTER

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March 27, 2007

SGT at Arms via fax

*586-6501 30 copies
Please thank!*

COMMITTEE ON FINANCE Rep. Marcus R. Oshiro, Chair, Rep. Marilyn B. Lee, Chair

FRIDAY, March 30, 2007 3:00 P.M., Conference Room 308

SB 1718 HD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR ELECTRICAL GENERATION ON THE ISLAND OF MAUI. Authorizes special purpose revenue bonds to BlueEarth Maui Biodiesel, LLC, for construction of a biodiesel refinery on Maui.

Representatives,

Two Mega Bio-diesel plants are planned for Hawaii (Blue Earth and Imperium) each planned to produce 100 millions of diesel, if Hawaii used all of it's available agricultural acreage we could maybe at very best estimates produce 150 Million Gallons of Bio-diesel. **Where would we grow our food?**

Here are estimates from the Hawaii State 9/06 HARC document, Biodiesel Crop Implementation in Hawaii:

Maui's best suited lands include 6,000 acres on Lahaina side (best for jatropha, not palm),

and 20,000 acres in central Maui (half jatropha and half kukui).

Total yield for 26,000 acres on Maui is estimated at 14 million gallons.

On the Big Island, 50,000 acres on the Hamakua Coast, currently forested with commercial plantings

of eucalyptus, could support palm oil trees which could yield 38 million gallons. Their table shows

Oil Palm as producing 760 gallons per acre. Of course, it would take five years to get into production,

and likely longer to achieve full production. Jatropha is listed at 300 gallons/ acre, and kukui at 380 gal/ acre.

Additionally, the report estimates there may be 70,000 available acres in the Puna District (yield= 53 mil gal/yr),

25,000 acres in the Ka'u district (14 mg/yr), and limited acreage on Kauai, Molokai, Lanai, and Oahu.

Their overall conclusion is that Hawaii could produce more than 150 million gallons of biodiesel yearly. However, this would entail full production of more than 225,000 acres of ag land.

Where will we be growing food?

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MAIN POINTS

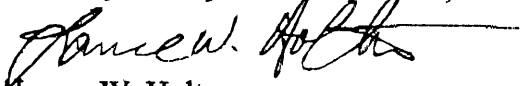
Many of us view megaplants as unsustainable, threatening to local agriculture, and moves Hawaii in the wrong direction of increasing our dependence on foreign imports:

- * Increases Maui's dependence on imported Palm Oil from Indonesia and Soybeans from South America
- * Palm Oil imports come as a result from the destruction of the rainforest and contribute more to global warming than the savings from using imported oils for biodiesel in Hawaii
- * Claims that feedstocks oils for Hawaii megaplants make it profitable when oil per acre yields are not know as there never has been fuel crop demonstration crop studies
- * Threatens local attempts to develop biofuel crops in Hawaii
- * Sends potential energy production profits which could stay in Hawaii to the mainland
- * It is a lose-lose: if imported oil prices are low, local ag cannot compete as a source of feedstock for biofuels; if local ag is utilized at a higher price, utility rates will increase
- * Creates an energy monopoly for Utilities
- * Non-bid process ensures profits to BlueEarth and higher prices to utility ratepayers; it would be better for HECO to just issue an RFP for finished biodiesel and then pay the lowest rate
- * In moving toward a sustainable Hawaii, the utilities should be planning for increased use of wind, solar, biomass, wave energy, etc. rather than increasing the use of liquid fuels which can only be grown in a limited quantity in Hawaii
- * All sustainability is LOCAL

SOLUTION

The State Legislature should invest monies immediately together with Federal and County support in fuel crop studies to ascertain the viability of fuel crops and those feedstocks which would produce the greatest yield per acre. Further, research the sustainable investment in refining, production and distributing of biodiesel together with a transportation sector allotment guarantee for Biodiesel production.

Thank you for your consideration,



Lance W. Holter
Chair Sierra Club Maui Group
Conservation Chair for Hawaii Chapter



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Hawaii Chapter, Maui Group
P.O. Box 791180, Paia, HI 96779



From; Lance Holter , Sierra Club Maui Group Chairman, tele 579-9442 , 3/28/07

ENVIRONMENTAL AND ECONOMIC CONCERNS RE: BLUE EARTH PROJECT

- Who is Blue Earth Maui Biodiesel? Why the need to bring in a mainland company with no history and no background in biodiesel? How did they select BlueEarth?
- How is this good for the economy of Maui? (They don't even have offices on Maui, but instead are headquartered on Oahu.)
- Why no RFP for the MECO fuel supply when there is already an RFP issued for the utility on Oahu that hasn't even been built yet? Has Blue Earth already solidified a contract with the PUC-regulated HECO and, if so, how can ratepayers be assured they are getting the best price?
- Questions about trust fund: is a 3-person board enough? Will holding profits in a trust increase utility rates? If we are all paying for this trust fund anyway, then funding biofuel crop research out of State monies seems to be a better, more objective format than a private, 3-person board of trustees.
- Does the HECO Board of Directors understand the ramifications of the project that is being proposed? For instance:
 1. At 40 to 120 million gallons, they will always be superceding the ability to produce such quantities in the islands and will always be dependent on foreign imports. Maui doesn't even use 120 million gallons of diesel fuel per year and should not be working toward that goal! The energy needed to bring in all of the inputs, and export all of the waste (i.e. glycerin, which could never be used in that quantity on Maui) alone make this project extremely unsustainable.
 2. With the tremendous quantities required, will they be able to focus on sustainable palm oil, or will the need for supply override the need to be sustainable? (reminder: rainforest devastation**)
 3. There are preferable types of renewable energy for utilities than liquid fuels. Why is HECO building more capacity to increase their use of liquid fuels, especially given that they will always be importing feedstock?*
- Local companies have been working towards building capacity in the islands in a sustainable way. This takes thoughtfulness, education and outreach, community support, and the will to consider the greater good over bottom line profits.
- Pacific Biodiesel is currently expanding its Hawaii plants and seeks to do so in conjunction with the development of local biofuel crops.
- Last year PacBio, along with local biodiesel supporters Willie and Annie Nelson, founded a non-profit, the Sustainable Biodiesel Alliance, to support community-based biodiesel production, in recognition of the superior benefits to the community: economic, environmental, energy security, sustainability, fostering relationships

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ENVIRONMENTAL AND ECONOMIC CONCERNS RE: BLUE EARTH PROJECT

*In the quest for sustainability, we should be decreasing rather than increasing the use of liquid fuels in utility plants. Better forms of renewable energy for stationary power are wind, solar, biomass, etc. There are concerns about the shipping and trucking of inputs for biodiesel in megamillion quantities. Hawaii needs to be working toward a significant displacement of petroleum diesel in the transportation and vessel sector, while at the same time encouraging energy efficiency in those sectors (more fuel efficient vehicles, carpooling, mass transit, etc.).

**There has been much reporting lately on the supplanting of rainforests with palm oil plantations. See a recent email, on which I was copied, below:

From: "Paul O'Brien" <biofuelmail@gmail.com>

To: rama <rama@agriinfotech.com>

Subject: Re: Palm Oil

Cc: abc@tejari.com.my, abhalimy@tdmberhard.com.my, adamshahnaz@tap.com.my,
...snip... "Wolfram Lihotzky-Vaupel" <wolfram.lihotzkyvaupel@googlemail.com>

Dear Dr Rama,

We are gravely concerned about the level of interest shown in palm oil biodiesel, because palm oil production is responsible for wide scale deforestation. This is especially true in Malaysia, Indonesia and Borneo.

Globally Asia has:

- the fastest rate of deforestation (1.2% per year)
- the fastest rate of commercial logging
- the highest volume of fuel-wood removal
- fastest rate of species extinction.

Within the region, South-East Asia has the highest rate of deforestation. At the current rate, it has been estimated that 50 million hectares will be deforested in the next ten years. India, Indonesia, Malaysia, Myanmar, the Philippines and Thailand have the highest deforestation rates, of more than 300,000 hectares, in the region.

<http://en.wikipedia.org/wiki/Deforestation>

For these reasons we feel it is very misleading to think of palm oil, or biodiesel produced from it, as environmentally friendly. The rainforests that are cleared to make way for palm oil plantations are certainly not renewable.

Biofuel Systems Group do not supply equipment or materials of any kind to companies wishing to produce biodiesel from palm oil unless they are able to prove that it has been produced sustainably.

Best regards,

Paul O'Brien.Dr. Paul O'Brien Biofuel Systems Group Limited, England