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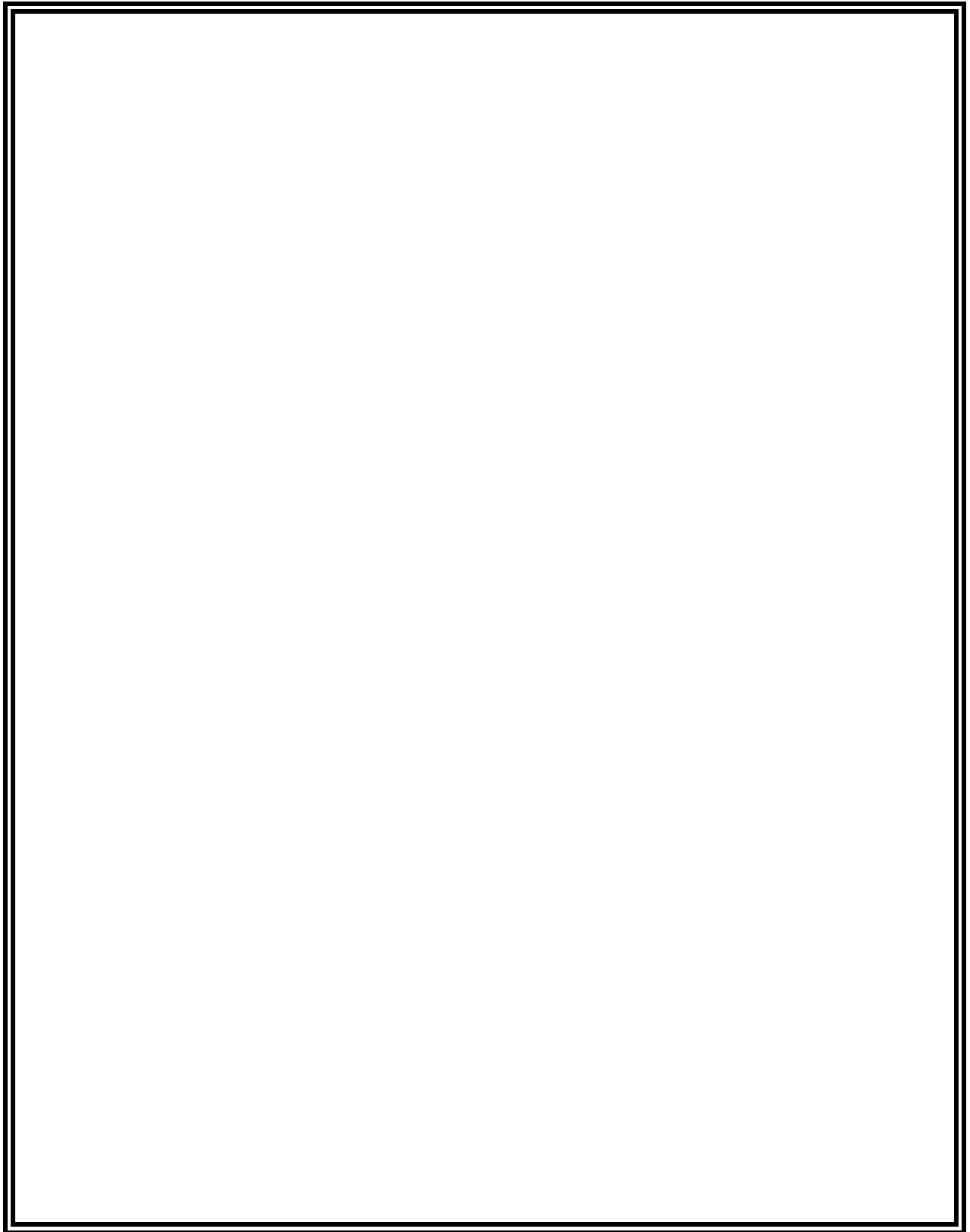
Douglas Durante
Executive Director


Clean Fuels Development Coalition

Before the

House Committee on Economic Development and Business
Concerns on H.B. 2204

February 2000





Mr. Chairman and Members of the Committee, my name is Douglas Durante and I am the Executive Director of the Clean Fuels Development Coalition in Washington, DC. I am here today because one of our members is a Hawaii company seeking to develop ethanol plants here in the state. Personally and through our organization I have been involved in the development of numerous ethanol projects and programs throughout the United States over the last 20 years. I appreciate the opportunity to comment on your proposed legislation to establish a producer incentive for ethanol production, House Bill 2204.

CFDC is a national ethanol organization with a unique and broad membership that includes ethanol and ether producers, agricultural interests, automobile manufacturers, state government agencies, and engineering and new technology companies. We have been directly involved in the formation of national energy and environmental policy for the past 10 years at both the state and federal levels.

In previous testimony before your various committees, I have tried to present information that would help you gain a better understanding of the benefits that Hawaii might achieve through the adoption of the proposed tax credit that would help stimulate ethanol production in the state and give a much needed boost to the sugar industry which is currently in a critical economic crisis. Creating the favorable business environment as you are contemplating through this measure would indeed make ethanol production facilities here in the state a much more viable enterprise.

While in my complete written testimony I provide information regarding the use of ethanol as a motor fuel, I would like to direct my remarks here today to some of the misinformation you are being subject to courtesy of the petroleum industry. I have to say that I am somewhat incredulous that the petroleum industry continues to engage in what is no less than slanderous accusations against ethanol which, in addition to being completely self-serving to protect their market share is disingenuous and at times deceitful. This is the same petroleum industry that has charged the highest prices for gasoline in the United States for decades. The same petroleum industry that routinely benefits from massive subsidies from the federal government to ensure opportunities for oil exploration and ultimately for delivery of that oil to market and consumers; the same petroleum industry that resisted any voluntary attempt to improve the quality of their gasolines and ultimately were forced to remove lead, reformulate their fuel to reduce ozone, and add oxygenates to reduce carbon monoxide; the same petroleum industry that has a history of causing oil spills that pollute our beaches and harm our wildlife; the same petroleum industry that has been punished by the federal government

for over-charging for its product; and the same petroleum industry that completely refuses to acknowledge any of the external costs associated with their product. Instead, they devote their energy to maligning any motor fuel that is not hydrocarbon based.

Given this glorious history, as I said I am incredulous that they would have the audacity to make the kinds of claims they do and I am further outraged they would do so given the fact they already market the very product they are maligning in various places across the United States. Of course, it took a regulatory action of some type to make them use ethanol, but once they have added this product to their fuel mix, all the claims they are making to you here today with regard to its performance, affect on automobiles, difficulty in handling, cost, supply, availability, and numerous other supposed issues, magically disappear. For example, they suggested to you that the higher vapor pressure of an ethanol-gasoline blend would result in vapor lock in automobiles because of the warm weather here in Hawaii. A typical day in Las Vegas during the summer is 110 degrees or more and there are no vapor lock problems there. Similarly, because there is a slightly lower energy content of ethanol, to suggest there would be a mileage loss, neglects to show that the Btu of any one batch of gasoline may differ drastically from another and viewed in its worst case would cause no more than a 2-3 percent loss in gas mileage.

What we need to do is reframe the debate to make sure we understand if we are assessing the viability of ethanol as a motor fuel for Hawaii and as a means of helping the sugar industry, or are we assessing ethanol from the standpoint of how it will provide competition in the motor fuel marketplace. What is at issue here is a producer incentive to get ethanol produced in this state. The petroleum industry is jumping to presuppose how that will be used by raising issues such as those I have mentioned, like storage, handling, performance, etc. The fact of the matter is it is quite possible all the ethanol from one of our plants would be used as an alternative fuel, which is to say at close to 100 percent volume, which would be dispensed from separate tanks for fleet usage and in fact, might not involve the petroleum industry at all. So in addition to the fact their arguments are bogus, they are certainly out of order with respect to their timing.

In closing, I again have to repeat that I find it astounding that the Western States Petroleum Association, led by a company such as Chevron, would challenge your authority to establish an incentive that would help an indigenous Hawaiian industry, such as sugar, while diversifying your energy mix. If you created a tax incentive for any photocopier company to build a manufacturing facility in Hawaii, Xerox might take advantage of that opportunity and build a plant in the state. Wouldn't you think it rather self-serving if IBM, which happened to supply most copiers to the states, conducted a campaign of misinformation and disparagement against Xerox? Any reasonable person would be able to see the true motives of such actions. What we are seeing here is no different from the petroleum industry.