

HAWAII Petroleum Marketers Association State Report

By Steve Wetter, HPMA President, Hawaii Petroleum

Ethanol in Hawaii

Since 2006, the State of Hawaii has required that 80 percent of the gasoline sold be blended with 10 percent ethanol (E10). The goal was to encourage ethanol production in the state with some tax incentives for new ethanol plants built in Hawaii. None were ever built, so now the State is looking at repealing the ethanol requirement. SB 717 is moving through the state legislature, and could eliminate the E10 requirement. However, it is really up to the two refiners to decide the fate of ethanol in Hawaii.

Sale of Mid-Pac Petroleum Finalized

As first announced in June 2014, Par Petroleum Corp., has completed the purchase of Koko'oha Investments, Inc., the parent company of Mid Pac Petroleum. Mid Pac Petroleum has the exclusive rights to the "76" gasoline brand in Hawaii and through this purchase, Par Petroleum has acquired 85 retail outlets and four terminals for a total price of \$107M. Par Petroleum Corp. is headquartered in Houston, Texas and with the recent addition of Mid Pac's staff, they now have approximately 700 employees based in Hawaii. Par Petroleum's Kapolei refinery currently has a capacity of 94,000 barrels per day and is currently refining about 75,000 barrels, 5,000 more barrels per day from last year with 80 percent of what it refines distributed within the state.

New Branding Strategy for Par Petroleum

With Par Petroleum's acquisition of Tesoro Hawaii in September 2013 and their most recent purchase of Mid Pac Petroleum, the company is looking to unveil a new branding strategy within the next few months. It is unclear how their strategy will evolve as they currently hold the Mid Pac, Tesoro, 76 and 7-Eleven brands. It was reported that they have hired OmniTrak Group to conduct surveys and coordinate focus groups to assist with their rebranding efforts. Par Petroleum's focus on the Hawaii market will allow them to continue to grow as much as the market here allows.

Chevron Hawaii

With an announcement made in September 2014 that Chevron Hawaii was looking to sell its refinery and retail gas stations, they are optimistic that the sale may close by the third quarter of this year. Most of the offers came in above Chevron's minimum price threshold. Chevron has about 300 employees in Hawaii that work on Oahu, Kauai, Maui and the Big Island at either the company's refinery or product distribution terminals. Out of the approximately 60 Chevron-branded gas stations in the state, Chevron owns and operates six retail locations. The buyer will likely have to weigh in on their options of investing to upgrade the refinery to comply with environmental regulations or possibly converting it to an import terminal. It is anticipated that the sale could draw anywhere from \$75M to \$300M.