

## The Aloha State

By HPMa President, Jim Yates

### Hawaii Legislature Opens to Muted Fanfare

*Any enthusiasm that organizers of the opening day festivities of the 29<sup>th</sup> Hawaii Legislature may have hoped for was overshadowed by fallout* (pun intended) from the false ballistic missile alert on January 13. Floor speeches were kept brief, and entertainment was subdued in the wake of the fake alert that was heard around the world — and the black cloud under which embattled Hawaii Governor David Ige and Hawaii Emergency Management Agency officials were attempting to make sense of the incident.

Major issues confronting Hawaii, such as affordable housing and homelessness, shared the center stage with Hawaii's troubled missile-alert system. On the energy front, the state Senate and particularly the state House of Representatives appeared poised to pass multiple pieces of legislation aimed at marching Hawaii towards a clean energy economy — sooner rather than later. A bill that failed last year called for achieving 100% clean energy in ground transportation by 2045. See the “new and improved” version of this concept below.

### Legislation Topping HPMa's Watch List

✓ **HB 1991** – Imposes a tax of \$10 on every ton of CO<sub>2</sub> that is emitted from the use of fossil fuels, and allocates 20% of the Hawaii Environmental Response, Food and Energy Security (aka “barrel”) tax to the Environment Response Fund.

✓ **HB 2028** – Requires the Hawaii Department of Business, Economic Development & Tourism (DBEDT) to adopt rules imposing requirements for authorizing distributors to sell gasoline containing up to 10% ethanol (a mandate that previously existed, but was repealed in 2015).

✓ **HB 2719** – Creates the Hawaii clean economy initiative advisory board to advise the State on the transition to a clean energy economy. HB 2728 – Establishes a Clean Transportation Initiative to reduce and ultimately eliminate the use of fossil fuels in all public ground transportation by 2035 (a full 10 years ahead of last session's HB 1580).

✓ **SB 2019** – Requires fuel sold in the state to contain no less than 10% biofuel by volume that is produced in the state from agriculture products grown or sourced in Hawaii, provided certain quantities of biofuel produced in the state are available. Similar bills in previous sessions were struck down due to the in-state-only requirement for feedstock running afoul of the U.S. Commerce Clause. In addition, Hawaii's fueling industry has typically opposed mandates.

✓ **SB 2930/HB 2712** – Requires, on or before 9/1/2018, that the Department of Health adopt rules for underground storage tanks and tank systems to conform to certain federal regulations and include additional requirements for field-constructed underground storage tanks and tank systems. Revisions to Hawaii Administrative Rules, Title 11 about to be distributed for public comment by the state DOH contain a proposed provision believed to be more stringent than the federal regulations in that single-walled USTs must be secondarily contained within 10 years of the rules going into effect. However, following a review by HPMa member-companies, the updated rules were not considered to be overly onerous and are directionally consistent with policies being implemented by a number of states.

### Expired Oil Spill Liability Trust Fund Tax

The nine-cents-per-barrel tax on oil in the United States that funds the Oil Spill Liability Trust Fund used by the U.S. Coast Guard to pay for cleanups expired on December 31, 2017. At this time, Republican leaders in Congress are considering reinstating the tax in an “extenders” bill that would revive several recently expired taxes. This is causing consternation and mixed opinions in the oil industry as to whether the tax would be imposed retroactively, or applied based on some other effective date.

Some (particularly Democrats in Congress) claim this is yet another tax break for oil companies. However, Allen Thuring, a senior financial analyst with the Coast Guard's National Pollution Fund Center which oversees the fund, told the New Orleans, Louisiana publication *The Times-Picayune* that the \$5.8 billion currently in the trust fund should be enough to handle oil spill emergencies for the foreseeable future.

Thuring says his office will monitor the status of the fund balance and the speed in which moneys are drawn from the fund. If the fund balance drops too low, Thuring says the agency will be able to return to Congress to request that the tax be reinstated.

The tax expired once before, in December 1994, but was reinstated by Congress in 2006 at five cents per barrel. It was subsequently increased to eight cents in 2009, with a provision requiring it to rise to nine cents in 2017.

## **Par Pacific Expanding Retail Footprint (and WPMA memberships) into Pacific Northwest**

Texas-based Par Pacific Holdings, Inc., announced that it has entered into a deal to acquire 33 Cenex Zip Trip convenience stores located in Washington State and Idaho from CHS Inc. The deal is expected to close in the first quarter of 2018, subject to the customary closing requirements.

According to Par Pacific President & CEO William Pate, in addition to the convenience stores, Par has entered into a branded petroleum marketing agreement for the continued supply of Cenex-branded refined products to the Zip Trip stores. Additionally, there will be a multi-year supply agreement for Par to supply refined products within the Rocky Mountain and Pacific Northwest markets.

*“This acquisition expands our retail operations into the U.S. mainland, complements our Wyoming refining and logistics activities, and further diversifies our earnings profile,”* said Pate.

Par Hawaii, Inc., the Par entity that will own and operate the new stores, is also joining the Washington Oil Marketers Association and the Idaho Petroleum Marketers & Convenience Store Association. Our local representative Jason Doyle, Vice President PNW Retail, will reside in Spokane and is looking forward to becoming involved with both of these organizations.

**SAVE the DATE!**

**HPMA Golf Tournament** – October 25, 2018 on the Big Island, Course TBD