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From the Pacific Business News:

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## Financial crisis, falling oil price contributed to delay of long-planned seawater A/C project

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Over the past decade, Hawaii media outlets, including Pacific Business News, have published several articles announcing that the long-planned Honolulu Seawater Air Conditioning project is about to begin construction, yet nothing ever materialized.

The reasons why the \$250 million project has been delayed for more than 10 years are multifaceted, though when asked about it, HSWAC President and CEO [Eric Masutomi](#) pointed to two outside factors: the 2009 financial crisis and falling oil prices.

“From a big picture standpoint, the project began about a little over 10 years ago and was moving along quite well, but when the 2009 financial crisis hit, it really impacted the market out there in terms of available financing for projects of this nature,” he told PBN in a recent interview. “It also impacted decision-making on part of the private sector in terms of moving forward with planned investments. That hurt. That set us back a good 18 months.”

The renewable energy district cooling system, which will use ocean water from a depth of more 1,700 feet to cool buildings in Downtown Honolulu, first made headlines in 2004. Those initial reports predicted that the system would be operational by mid-2007. Fast forward 14 years, and HSWAC expects the project to be completed by late-2021 at the earliest, as was [reported by PBN on Monday](#).

Masutomi, who joined the project in 2012, acknowledged that the current target is only achievable without any further hiccups. The recently signed contract with the state of Hawaii has been described as a catalyst by Masutomi, but as history shows, nothing is a guarantee when it comes to seawater AC. The permitting process alone took six years, Masutomi added.



TINA YUEN

The cooling station for the Honolulu Seawater Air Conditioning project will be located in Kakaako Makai.

When the project was first proposed, crude oil prices were on a seemingly open-ended upward trajectory, before topping out at more \$161 per barrel in June 2008. The high oil price aided HSWAC's pursuit of customers, but when prices began to fall and hit less than \$50 per barrel within a six month period, it also affected the Honolulu project.

"When oil prices dropped pretty significantly that obviously impacted our financial model. That translates to obviously adjusting our proposition, so that the proposition was still cost-effective from a customer standpoint," Masutomi said. "Most of that has stabilized now, so that we are back on track. But those were the two significant setbacks if you will."

The project lists a total of 11 customers on its website, including Hawaiian Electric Co., the University of Hawaii at Manoa's John A. Burns School of Medicine and The Queen's Medical Center. Another customer listed on the site is Remington College. However, the non-profit school announced earlier this year that it will close its Honolulu campus by 2020.

HSWAC continues to tout the project's environmental benefits, including savings in water and electrical usage, as it looks to finalize several outstanding agreements before the end of the year.

It's those aspects that convinced Ulupono Initiative to back the project with investments totaling more than \$6 million. The Honolulu investment firm also became co-owner of HSWAC in 2014.

"The project promises significant energy savings for the State and is an alternative to using imported fossil fuels to cool downtown Honolulu," Murray Clay, managing partner at Ulupono, said in a recent statement.

**HJ Mai**

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