October 21, 2010

To Members of the United States Congress:

Congress has a rare opportunity to avoid $25-30 billion in new deficit spending over the next five years, ease consumers' pain at the pump, and scale back political manipulation of energy markets by literally doing nothing.

At the stroke of midnight on December 31 of this year, the 45¢ per gallon Volumetric Ethanol Excise Tax Credit (VEETC) and the 54¢ per gallon tariff on imported ethanol will expire. We are writing to encourage you to let these special-interest giveaways tumble into history's dustbin.

Corn ethanol lobbyists are calling for "reforms" that would renew the VEETC and tariff for another five years, mandate the sale of 120 million vehicles capable of running on E-85 (motor fuel blended with 85% ethanol), provide taxpayer-backed federal loan guarantees to build an ethanol pipeline network, and provide tax credits to install 200,000 E-85 pumps at service stations.

America is not addicted to oil (consumers will stop buying gasoline the moment a superior product comes along), but the corn ethanol lobby is hooked on subsidies. As with any genuine addiction, ethanolism is an appetite that grows with feeding. The corn ethanol lobby may say it wants to make America energy independent, save the planet, and save the family farm, but what it really wants is MORE - more trade protection, more of our tax dollars, and more market-rigging rules.

For economic, humanitarian, and environmental reasons, Congress should give the VEETC and tariff the quiet burial they deserve.

The VEETC is a "refundable" tax credit, paid for by taxpayers, with checks drawn from the General Fund, to the tune of $5-6 billion a year. With the national debt expected to equal or exceed GDP in 2012, such extravagance is fiscally irresponsible.

Congress should never have enacted a Soviet-style production quota for ethanol. But as long as the renewable fuel mandate is in place, consumers should at least be free to buy ethanol at competitive prices. The protective tariff prevents lower-priced Brazilian sugarcane ethanol from competing in U.S. fuel markets. It increases pain at the pump.

In combination with the mandate, the VEETC and tariff also divert massive quantities of grain from food to auto fuel – a factor contributing to food price inflation and the world hunger crisis of 2008. In contrast, Brazilian sugarcane ethanol poses no risk to global food security.

As climate policy, political props for corn ethanol are a complete bust. Brazilian sugarcane ethanol has a smaller carbon footprint, which is why EPA classifies it as an "advanced biofuel." Yet the tariff prevents Americans from buying this "greener" fuel. The Congressional Budget Office estimates that the VEETC costs taxpayers $750 to $1700 for every ton of greenhouse gases avoided – many times the estimated price of emission permits under the Waxman-Markey cap-and-trade bill, which the Senate declined to pass. Worse, significant research finds that corn ethanol produces more greenhouse gas emissions than it avoids, because the land use changes associated with expanded corn production release carbon previously locked up in forests and soils.

The claim that ethanol is an infant industry in need of continuing corporate welfare and trade protection, is ludicrous. The U.S. ethanol industry is the world's biggest and governments at all levels have been subsidizing it for decades. Enough is enough.

Congress can benefit taxpayers, energy consumers, and the environment just by doing nothing. We urge you to embrace this rare opportunity.

Sincerely,

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