

November 16, 2010

The Honorable Harry Reid
Majority Leader
U.S. Senate

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives

The Honorable Mitch McConnell
Minority Leader
U.S. Senate

The Honorable John Boehner
Minority Leader
U.S. House of Representatives

Dear Leader Reid, Speaker Pelosi, Leader McConnell and Leader Boehner:

We, the undersigned groups, write to express our strong support for the nation's continued commitment to a robust biofuels industry. Specifically, we call on Congress to come together and pass legislation during the lame duck session extending critical ethanol tax incentives that will expire at the end of this year. Failure to do so will cost jobs and set the nation's effort to promote clean energy backward.

The ethanol industry has been an essential component of our nation's effort to achieve energy security and improve our environment. The volumes of ethanol produced domestically have been uniquely successful in reducing our dependence on foreign, imported oil, and have helped to reduce our nation's emissions of greenhouse gases and other pollutants. In addition, the ethanol industry has helped to revitalize our nation's rural and farm economies by providing a value added market for agriculture, and supported the creation of hundreds of thousands of non-exportable, high-paying green jobs.

The Volumetric Ethanol Excise Tax Credit (VEETC), available to gasoline marketers that use ethanol, expires on December 31, 2010. VEETC allows ethanol to be price competitive with gasoline in the face of volatility and wild price swings in the global oil market. Without VEETC, ethanol blending will become less economically attractive to refiners, resulting in a substantial decline in discretionary blending, and upward pressure on consumer gasoline prices. As a consequence of reduced demand, ethanol plants will close. One analysis concluded that as many as 118,000 jobs could be lost if Congress fails to extend this important incentive.

Another important tax incentive used to expand infrastructure for biofuels that is slated to expire at year's end is the Alternative Fuel Infrastructure Credit. The infrastructure credit allows fuel station owners to write off 50 percent, or up to \$50,000, of the cost of alternative fuel pump upgrades, and gives consumers the ability to choose fuel alternatives. Today, there are approximately 160,000 retail fuel outlets around the nation; however, only 2,300 are fitted with equipment able to dispense E85, and just a few hundred that can offer mid-level blends. It is essential that there continue to be incentives to develop the infrastructure needed to make the ethanol blended fuels available to consumers.

Finally, we believe that as we look to extend incentives for ethanol and incentives to support infrastructure, we must continue to support efforts that help the next generation of ethanol overcome commercialization hurdles. To this end, we call on Congress to pass legislation expanding the cellulosic biofuels producer tax credit which includes a broader range of eligible advanced biofuels including algae, and the ability to allow developers to elect a refundable 30 percent investment tax credit.

The extension of each of these incentives is critical to the health of the U.S. ethanol industry and will avoid a significant industry downturn, such as that recently experienced by the biodiesel industry when its credits were allowed to expire. Not only are these incentives necessary to provide certainty in the marketplace as we work collaboratively to reform the Federal tax structure for renewable energy, but they are also essential if we, as a nation, are intent on continuing our goals of achieving energy security, creating green jobs, and revitalizing rural communities across the country.

Sincerely,

American Coalition for Ethanol
American Farm Bureau Federation
Growth Energy
National Association of Wheat Growers
National Corn Growers Association
National Sorghum Producers
Renewable Fuels Association