Audubon * The Center for Biological Diversity * Clean Air Task Force
Clean Water Action * Conservation Law Foundation * Environment America
Environmental Working Group * Friends of the Earth
Natural Resources Defense Council * Public Citizen
Safe Climate Campaign * Sierra Club * Union of Concerned Scientists
World Wildlife Fund

April 12, 2010

Chairman Sander M. Levin
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Levin,

On behalf of our millions of members, activists, and supporters we write in opposition to the extension of the Volumetric Ethanol Excise Tax Credit (VEETC). As currently written, this economically wasteful subsidy will cost US taxpayers $5.4 billion for corn ethanol this year alone and do nothing to drive green jobs, increased national security, or better environmental performance. As the country struggles with financial insecurity, it is critical that we examine the utility of our subsidies and ensure that they provide the greatest level of energy security and environmental benefit to taxpayers. Especially in light of the Renewable Fuel Standard, which mandates that the oil companies buy ethanol, continuing to give oil companies the VEETC for purchasing that very same ethanol is fiscally irresponsible. We cannot afford to continue to subsidize this industry. We must demand more for our tax dollars.

Conventional ethanol has been subsidized for more than 30 years with various tax credits. Currently, conventional ethanol enjoys tax credits worth $0.45 per gallon blended into gasoline and a mandate for the blending of 12 billion gallons. As a result, this year alone, VEETC will cost US taxpayers $5.4 billion dollars for corn ethanol. This number will only grow over time. If current policies are not reformed, VEETC will cost taxpayers more than $31 billion over the next five years (2011-2015) for corn ethanol—an industry that already supplies nearly 10 percent of our light-duty vehicle fuel demand.[1]

Paying the oil companies to buy fuel that they are required by law to use is like paying drivers to obey the speed limit. The Government Accountability Office (GAO) agrees, concluding in a study released last summer: "the VEETC does not affect the level of ethanol consumption and is a duplicative policy tool for increasing ethanol consumption… removing the VEETC would not adversely affect the demand for corn

[1] These figures assume that RFS levels for conventional biofuels (corn ethanol) will not be waived by the EPA. Not included in the figure is the potential for other forms of conventional ethanol to receive the tax credit.

for ethanol and the income of corn producers, which depend on the total level of ethanol consumption."[2]

Not only is the VEETC duplicative, it is subsidizing the most mature part of the biofuels industry and doing nothing to drive improvements or a shift to advanced biofuels that can drive more green jobs, more energy security, and more environmental benefits. Corn ethanol is a mature technology, and while there is substantial controversy around its life-cycle environmental impacts, there is no doubt that those impacts could be lowered and that, if biofuels are ever to play a meaningful role in our transportation sector, we must move beyond corn ethanol to truly sustainable, advanced biofuels. The VEETC pays the same amount for every gallon whether produced by the newest and greenest facility or the oldest and dirtiest, domestic or imported, just built or fully paid-off. We can and must do better with taxpayer dollars.

Today, a full 75 cents of every dollar we spend to support renewable energy is going to pay the oil companies to buy corn ethanol that, by law, they have to use anyway. Taxpayers deserve more jobs, more security and less pollution. Congress should let the VEETC expire and invest that money more wisely.

Sincerely,

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[2] Government Accountability Office, Biofuels: Potential Effects and Challenges of Required Increases in Production and Use, 99 (August 2009).

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CC: House Ways and Means Committee