



New Taxpayer, Environmental and Consumer Group Report Highlights need to Let the Wasteful Ethanol Tax Credit Expire

November 19, 2010

Dear Senator,

We urge you to oppose the extension of the Volumetric Ethanol Excise Tax Credit (VEETC) at any level. Our recent *Green Scissors 2010* report highlights the \$6 billion a year this wasteful subsidy for corn ethanol will cost U.S. taxpayers. Despite the high price tag, VEETC will do nothing to drive green jobs or reduce oil dependence. Considering the fiscal challenges facing our country, Congress must scrutinize all subsidies and ensure that they provide the greatest level of economic benefit to taxpayers. VEETC clearly does not measure up.

Currently, conventional ethanol enjoys tax credits worth \$0.45 per gallon blended into gasoline and is propped up with a mandate to use 12 billion gallons of ethanol in 2010. As detailed in the report, this year alone, VEETC will cost US taxpayers \$6.6 billion dollars according to DOE projections of corn ethanol consumption. Even if VEETC was significantly reduced, it is still extraordinarily expensive. If the credit were to be reauthorized at a lower value, such as \$0.36, the credit would still cost taxpayers \$5.7 billion next year for corn ethanol subsidies alone. If reduced to \$0.25 it would cost \$3.9 billion in 2011 for corn ethanol. Overall, proposals to simply reduce VEETC are still extraordinarily costly, and still return virtually no benefit.

The Renewable Fuels Standard mandate, not VEETC, drives ethanol consumption. In a July 2010 report the Congressional Budget Office (CBO) noted that "the scheduled rise in mandated volumes would require the production of biofuels in amounts that are probably beyond what the market would produce even if the effects of the tax credits were included. To the extent that the mandates determine levels of production in the future, the biofuels tax credit would no longer be increasing production." The Government Accountability Office 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 for ethanol and the income of corn producers, which depend on the total level of ethanol consumption."

Furthermore, VEETC's ability to reduce oil consumption is questionable and costly: the Congressional Budget Office noted that it costs taxpayers between \$1.78 and \$4.00 for each

gallon of gasoline that conventional ethanol displaces. Coupled with the fact that VEETC is not actually driving ethanol consumption, this means it is also not reducing oil consumption.

More than 75 cents of every dollar we spend to support all forms of renewable energy go to the corn ethanol industry. Simply reducing the credit does not change the situation: whether it is a cost of \$6 billion a year or \$4 billion a year, VEETC is still a waste.

We urge you to read the Green Scissors report available at www.GreenScissors.com and take action to cut wasteful and environmentally harmful spending. One of the first and most important areas to start with is the VEETC. Please oppose efforts to extend the VEETC in any form and support efforts to let this wasteful tax credit expire at the end of 2010.

Sincerely,

Erich Pica

A handwritten signature in black ink, appearing to read "Erich Pica".

President, Friends of the Earth

Ryan Alexander

A handwritten signature in black ink, appearing to read "A. Ry Alexander".

President, Taxpayers for Common Sense