



Fiscal Responsibility and Bipartisanship Are Easy to Achieve on Biofuels Policy

By Joel Velasco

As the dust settled on a midterm election that significantly altered the political landscape, voters sent a clear message that cutting the deficit and ending wasteful government spending should be top priorities for Congress. Americans will be watching closely to see if lawmakers got the message. Eliminating ethanol subsidies and trade protection would be a good way to indicate that they did.

Democrats and Republicans have vowed to work together on this issue, hinting that the days of \$6 billion per year in ethanol tax credits could be over when they expire on December 31. Senator Saxby Chambliss (R-GA), the top Republican on the Senate Agriculture Committee told Bloomberg News that “[t]here are folks who ideologically don’t want to see the tax credit,” noting that the election results were sure to strengthen that viewpoint. Chambliss could be referring to folks like Senator Tom Coburn (R-OK), who in a report by The New York Times on the bipartisan debt-reduction commission called corn-based ethanol tax incentives “a stupid idea.”

Exit polls also indicate that voters are dissatisfied with the federal government and want to see politicians find common ground on pocket-book issues that can improve the economy. Several pundits pointed to trade policy as one area where Republicans and Democrats might work together.

Nobody recognizes the opportunity more than – surprise, surprise – Sen. Charles Grassley (R-IA), who pointed to trade as one area where farmers and ranchers might benefit from coming changes in Washington. According to his recent interview with Agriculture.com, Grassley thinks Republican control of the House will make it easier for President Obama to push for free trade, saying: “We export more than a third of our ag products. I think there is going to be more encouragement to the president, who I think down in his heart, is a free trader.”

Let’s hope that same enthusiasm for free trade also applies to the ethanol sector! By ending the ethanol import tariff, Americans would benefit from lower fuel prices, greater energy diversity and access to cleaner alternatives like sugarcane ethanol.

The U.S. corn ethanol industry may be getting the message on competition and the need to remove trade barriers on cleaner, more affordable energy. During a conference call with reporters this morning, the president of the Renewable Fuels Association reiterated his support for setting the ethanol tax credit and import tariff at the same amount – a concept industry insiders refer to as “parity”:

“We’ve always supported parity on the secondary tariff with the tax incentive. We think the only reason to have the secondary tariff is to protect the taxpayer, not the industry. And that has been our viewpoint and you know, I think indeed if the tax incentive were to be adjusted, it is quite likely that the secondary tariff would be adjusted as well.”



The next several weeks will be an important litmus test in determining whether or not Congress has truly heard the American people. Tough decisions will be need to be made to cut the deficit and restore fiscal responsibility and bipartisanship to Washington. Ethanol policy is a good place to start. We'll be following the lame-duck debate closely and communicating with our growing list of nearly 20,000 clean-energy advocates when their voice can make the biggest difference. So stand by for more!

Posted on November 03, 2010, on SweeterAlternative.com

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