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Legislative Action Moves Into High Gear
By Joel Velasco

The past 24 hours have been full of surprises. Most notably, Growth Energy today made a 180-degree shift in strategy. The group is now calling for an "eventual phasing out of government support" for ethanol subsidies, as well as open markets and consumer choice. Glad to see we can finally agree on something.

It's clear that the next few weeks will play a decisive role in setting future ethanol policy for America. Let´s recap three key developments that have set the stage for a summer showdown on Capitol Hill. (And after you read today's post, you may want to check out our new advocacy center where you can take action and make your voice heard).

CBO Report on Ethanol Subsidies

At the request of Senate Energy and Natural Resources Chairman Jeff Bingaman (D-NM), the nonpartisan Congressional Budget Office (CBO) issued a report yesterday on the blistering cost of ethanol subsidies to American taxpayers. Key findings include:

- The direct cost of the ethanol blender's credit in FY2009 was nearly $5.2 billion. This year, it is projected to cost $7.6 billion. Since 1980, U.S. taxpayers have spent more than $41 billion dollars on ethanol subsidies according to CBO's analysis.

- Reducing gasoline consumption by one gallon and replacing it with equivalent energy from corn ethanol costs taxpayers $1.78 per gallon – and that's on top of the current cost drivers pay at the pump. At that rate, CBO says that reducing a ton of greenhouse gas emissions with corn ethanol costs $750.

- CBO finds that the biofuels industry no longer needs tax credits to drive ethanol production since the Renewable Fuels Standard mandates increasing ethanol consumption. The report concludes that: "In the future, the scheduled increase in [RFS] volumes would require biofuels to be produced in amounts that are probably beyond what the market would produce even if the effects of the tax credit were included. To the extent that the mandates determine future production levels, the biofuel tax credits would no longer be increasing production."

In his statement on the report, Bingaman noted that "corn-based ethanol is now a mature technology whose market share is protected by an aggressive Renewable Fuel Standard," and suggested that Congress "should look seriously at this expenditure rather than just reflexively extending it."

Shift in Strategy toward Open Markets

Hot off the heels of the CBO report, Growth Energy held a press conference this morning to announce a polar shift in strategy, calling for "the redirection and eventual phasing out of government support" for ethanol subsidies – replacing them with a plan to 1) build out the necessary fueling infrastructure so ethanol will be widely available at retail fueling stations and 2) require all automobiles sold in the U.S. be flex-fuel vehicles. The organization's website describes their Fueling Freedom plan as creating "a fair and open market for automotive fuel and greater consumer choice," "a level playing field," "an open market, not based on government supports," and "a genuinely free market."

Sounds like Growth Energy has been reading the SweeterAlternative blog! We've been making the point all year that consumers win when businesses have to compete in an open market, because competition produces higher quality products at lower costs. The same principle holds true for the renewable fuels market where competition will create a race to the future and generate better alternatives for consumers.

I'm glad to see Growth Energy embrace the notions of competition and consumer choice. Hopefully, they'll agree to take the next logical step and not only end the 30-year-old multi-billion dollar tax credit, but also drop the $0.54-per-gallon tariff on imported ethanol – a trade barrier whose only purpose, as confirmed by Growth Energy´s own website, is to "offset the credit that oil companies receive, ensuring that American tax dollars don't encourage foreign ethanol development." That way, Americans will have sugarcane ethanol available as an option competing in an open market alongside corn ethanol, biodiesel and other renewable fuels.

In fact, given what they say in this video - it looks like both Growth Energy and the Renewable Fuel Association (RFA) are ready for an open market with no tariff:

Brazil unilaterally eliminated its tariff on imported ethanol in April, 2010. UNICA has made it clear to the Brazilian government it hopes the tariff reduction is permanent, particularly if the U.S. is willing to eliminate theirs.

Action on the Hill – The Time is Now

With just two weeks until the August recess, all signs point to action in the House and Senate. We hear the House Committee on Ways & Means is expected to unveil an energy tax bill next week that would reduce the subsidies for corn ethanol but keep the tariff on imported sugarcane ethanol as is. An energy bill in the Senate is also possible with floor action in both chambers currently discussed the week of July 26th. And just this week, we learned of bill from Sen. Amy Klobuchar (D-MN) that would senselessly extend corn ethanol subsidies and trade protection for FIVE more years. Yep, that's another $30 billion folks.

If you think it's time to phase down the subsidies, promote competition in the renewable fuels market and diversify U.S. energy sources, make your voice heard and make a difference.

This article was originally posted on July 15, 2010, on SweeterAlternative.com

Joel Velasco is UNICA`s Chief Representative – North America.