



Setting the Record Straight

By Joel Velasco

Now that the dust is starting to settle from our on-and-off attempt to provide DC drivers with discounted fuel this week, it's time to address some of the most egregious claims made by detractors at Growth Energy and the Renewable Fuels Association (RFA) during the past few days. I'm all for honest, spirited debate. But so many of the accusations they have lobbed at sugarcane ethanol are so far off base that they demand a rebuttal. So let me set the record straight, again.

Growth Energy

I'll start with three claims made in the e-mail Growth Energy distributed last Friday.

Claim #1: *We're already deeply addicted to foreign oil. We should not become addicted to foreign ethanol.*

The Facts: No one (other than Growth Energy) is talking about America becoming addicted to sugarcane ethanol from Brazil. That's a false argument designed to play on protectionist fears. The United States will consume nearly 13 billion gallons of ethanol this year; while at most, Brazil will produce 7 billion gallons of sugarcane ethanol that must first service a large and growing domestic market. Not a good equation for addiction, right?

Frankly, Americans shouldn't become addicted to anything, including subsidies. The United States becomes a safer and more secure country when it has a diverse energy supply that is not dependent on any one place or fuel source. Sugarcane ethanol could be part of the solution for diversifying U.S. energy supplies, increasing healthy competition among biofuel manufacturers and improving America's energy security. And since some of the energy needed to power America will come from abroad, why not Brazil – a long-standing U.S. ally and trading partner?

Claim #2: *Removing the tariff doesn't displace a single drop of foreign oil — but only serves to smother U.S. ethanol, which is the only large-scale domestic alternative we have to foreign oil.*

The Facts: RFA, in a plea for more subsidies, says corn ethanol has cut "oil imports by 364 million barrels in 2009." (For the record, the U.S. imported 3.3 billion barrels of crude oil in 2009.) But, according to Growth Energy, it's no longer an accomplishment with cane ethanol. Could it be that only corn ethanol has the power to displace oil? But that's not all. Growth Energy says that that giving consumers a choice would "smother" the domestic industry. Let's keep in mind that America is the world's largest ethanol producer with about half (+12 billion gallons this year) of all ethanol made around the world. The United States produces so much that its ethanol exports are now surging to other countries, including Brazil. Despite being a mature industry, corn ethanol producers in the U.S. still are protected by an interlocking series of government mandates, subsidies and trade barriers. After benefiting from 30 years of tax credits and trade barriers, isn't it time to create an



open market for renewable fuels and let consumers get some of that benefit through increased competition?

Claim #3: *Removing the tariff on Brazilian ethanol would eliminate more than 160,000 jobs across the country.*

These over-inflated jobs claims (RFA says 112,000 vs. Growth Energy's 160,000 jobs) have been debunked so many times that I won't take the space to address today (but for a great analysis, check out what NRDC says about the exaggerations). What I will add is that eliminating the tariff would help reduce price volatility in the ethanol market and ultimately lower the cost of gasoline in the U.S. since it includes up to 10% ethanol. Those benefits help all Americans.

Renewable Fuels Association

Jumping into the fray on Monday, the Renewable Fuels Association issued a news release purportedly offering information that "Brazil doesn't want you to know." While RFA muddies the water with attacks on sugarcane's environmental impacts (look who's talking!) and labor conditions, the group's central point is that corn ethanol happens to be cheaper than sugarcane ethanol today. Make sure to check out this post on RFA's Field of Dreams.

Following the ground rules for this blog (#1 = honesty), I have to say that RFA is right on the pricing claims, as we clarified on this blog post. Right now – since prices go up and prices go down based largely on market conditions in each country – corn ethanol costs less than sugarcane ethanol. But for the full context, let me add two points:

If corn ethanol is really cheaper, why does the U.S. ethanol industry fight so hard to maintain the tax credit and tariff? Let's end the subsidies, drop the trade protection and compete in an open market.

The answer to point #1 can probably be found in the fact that – for the past five years – sugarcane ethanol has cost 45 cents per gallon less than corn ethanol on average. Again, prices go up and prices go down based on many factors, but sugarcane ethanol is usually cheaper due largely to chemistry. It simply takes less energy to manufacture ethanol directly from sugarcane (a one-step process) than from starch in corn (a two-step process) since starch first must be broken down into simple sugars before it can be used to produce ethanol. Over the long haul, cane in the tank means money in the bank!

Cutting through the clutter of the charges and counter charges, let me end with a simple point. I'd like to see sugarcane ethanol available as an alternative and competing in an open market alongside corn ethanol, biodiesel and other renewable fuels. Isn't expanding the market for clean, renewable fuels and doing it in a way that benefits consumers a goal we can all get behind?

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