October 21, 2010

The Honorable Harry Reid
Majority Leader
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
361-A Russell Senate Office Building
Washington, DC 20510

The Honorable Jeff Bingaman
Chair, Energy and Natural
Resources Committee
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Lisa Murkowski
Ranking Member, Energy and Natural
Resources Committee
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Max Baucus
Chair, Finance Committee
511 Hart Senate Office Building
Washington, DC 20510

The Honorable Chuck Grassley
Ranking Member, Finance Committee
135 Hart Senate Office Building
Washington, DC 20510

Dear Senators Reid, McConnell, Bingaman, Murkowski, Grassley, Baucus:

We are writing to express our support for the inclusion of ethanol tax credit modifications and blender pump program in the energy and tax bills that may be considered by the Senate when it reconvenes after the general election. These changes to the ethanol tax credit structure represent a fiscally responsible way to modernize the tax and regulatory framework for the nation’s ethanol industry.

For months now, the nation’s ethanol policy leaders have been working diligently to develop sustainable biofuel policy recommendations that will promote private sector investment in an expanded domestic biofuels industry that employs hundreds of thousands of skilled workers in our states and keeps billions of dollars at work in our states instead of paying for imported oil.

We believe these improvements will effectively open the market for biofuels, reduce taxpayer costs by billions of dollars, and enable the domestic biofuels industry to compete on a more level playing field with petroleum transportation fuels. These proposed modifications include the following:

- Extend the terms of the existing ethanol tax incentive (VEETC) for one year, to allow time to transition from a blenders’ credit (i.e., available only to oil companies, blenders, and importers) to a refundable credit available only to domestic biofuel producers, for a period of five years;
- reduce the tax credit for conventional ethanol by approximately 50% from its current level of $.45 per gallon;
- eliminate the ethanol import tariff since the new producers credit would not be available to importers;
• reward more efficient ethanol producers with higher producer credit levels, thereby stimulating investment in advanced technologies from a variety of feedstocks; and
• open the nation’s transportation fueling system by providing consumers nationwide with the ability to choose at the pump from a full range of fuel blends, from conventional gasoline to E85 with an aggressive flex fuel vehicle and dispenser program, modeled on the highly successful Brazilian experience.

We believe that these improvements to the ethanol tax credit provisions and blender pump program deserve the strong support of Congress. They will save taxpayers billions, provide much needed certainty to investors in advanced technologies, offer motorists unprecedented freedom to choose at the pump, thereby lowering fuel costs due to enhanced competition, and reward environmental performance.

Thank you for your support of domestic, renewable fuels and your efforts to strengthen America’s energy and economic security.

Sincerely,

Governor Chester J. Culver
Chairman and
Governor of Iowa

Governor Mitch Daniels
Vice Chairman and
Governor of Indiana

c:
Members, Energy and Natural Resources Committee
Members, Finance Committee
The Honorable Carol Browner, Assistant to the President for Energy and Climate Change
The Honorable Tom Vilsack, Secretary of Agriculture
The Honorable Steven Chu, Secretary, U.S. Department of Energy