Governors' Ethanol Coalition

- **Minnesota** Gov. Tim Pawlenty, Chair  
  **Kansas** Gov. Kathleen Sebelius, Vice Chair  
  **Illinois** Gov. Rod Blagojevich, Past Chair

- **Arizona** Gov. Janet Napolitano  
  **Arkansas** Gov. Mike Huckabee  
  **Colorado** Gov. Bill Owens  
  **Hawaii** Gov. Linda Lingle  
  **Idaho** Gov. Dirk Kempthorne  
  **Indiana** Gov. Mitch Daniels  
  **Iowa** Gov. Thomas Vilsack  
  **Kentucky** Gov. Ernie Fletcher  
  **Michigan** Gov. Jennifer Granholm  
  **Mississippi** Gov. Haley Barbour  
  **Missouri** Gov. Matt Blunt  
  **Montana** Gov. Brian Schweitzer  
  **Nebraska** Gov. Dave Heineman  
  **New Mexico** Gov. bill Richardson  
  **North Carolina** Gov. Mike Easley  
  **North Dakota** Gov. John Hoeven  
  **Ohio** Gov. Bob Taft  
  **Oklahoma** Gov. Brad Henry  
  **Oregon** Gov. Ted Kulongoski  
  **Puerto Rico** Gov. Aníbal Acevedo-Vilá  
  **South Carolina** Gov. Mark Sanford  
  **South Dakota** Gov. Mike Rounds  
  **Tennessee** Gov. Phil Bredesen  
  **Texas** Gov. Rick Perry  
  **Washington** Gov. Christine Gregoire  
  **Wisconsin** Gov. Jim Doyle  
  **Wyoming** Gov. Dave Freudenthal

- **International alliances with Brazil, Canada, Mexico, Sweden and Thailand**

April 12, 2005

The Honorable George W. Bush  
President of the United States  
The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

Dear President Bush:

The Governors' Ethanol Coalition, which represents 30 governors, believes that increasing dependence on foreign oil is a major risk to the nation's energy, economic, and environmental security. National security is linked to energy through the dependence of this country and many others on imported oil — much of it located in politically troubled parts of the globe. The combination of political tensions in major oil-producing nations with growing oil demand from China and India is seriously threatening our economic and national security. As we import greater amounts of oil each year, we are draining more and more of the wealth from our states.

The safest and cheapest way to mitigate these risks is to set and achieve a goal of providing at least 5 percent of the nation's transportation fuel from ethanol by 2010, and to produce at least 8 billion gallons of ethanol a year by 2012. As soon as practical thereafter, the nation should produce at least 10 percent of its transportation fuel from ethanol and biodiesel.

The Governors' Ethanol Coalition, determined to address this challenge, developed the attached set of recommendations aimed at achieving the above goals, including production of at least 1 billion gallons of biomass-derived ethanol. The expansion of ethanol production to a wide variety of feedstocks including biomass will allow all regions of the nation to both contribute to meeting the 10 percent goal and benefit from the economic development associated with domestic energy production.

The Coalition believes that a national commitment to implementing the recommendations, summarized below, will result in ethanol replacing significant amounts of petroleum derived from unstable regions around the globe over the next 10 years. The Coalition's recommendations include:

- **National Renewable Fuels Security Standard and Performance-based Incentives.** Enact a National Renewable Fuels Security Standard requiring the use of at least 8 billion gallons a year of ethanol and biodiesel by 2012. As soon as practical thereafter, the nation should move toward production of at least 10 percent of its transportation fuel from ethanol and biodiesel relying on a growing share of that production from biomass-derived ethanol. This standard, in conjunction with a significant increase in applied research and production incentives, will make the goal of reducing our...
dependency on imported oil a reality. It also offers the potential for the industry to provide even greater production in all regions of the nation over time.

To encourage the most energy-efficient production of ethanol, the Coalition recommends amending the federal tax code to provide additional per gallon incentives for biomass-derived ethanol, based on the energy efficiency of the production process and the resulting carbon emissions. This system should be designed in a manner that does not penalize existing corn ethanol production by reducing incentives for those processes, but rather encourages innovation by rewarding the development and use of feedstocks and processes with superior lifecycle energy and emissions profiles. This approach also aids in avoiding backsliding on air quality issues.

- **Research and Development.** From existing federal research funds, including those from the Departments of Defense, Energy, Agriculture, and Transportation, as well as the Environmental Protection Agency, provide a targeted, substantial investment in research, applied fundamentals, and innovation to address the recalcitrance of biomass, expand co-products, and make advances in feedstock production. This approach offers a cost-effective and efficient transition model to expand production of ethanol from other biomass materials. The Coalition recommends $800 million in research and development funding for biomass ethanol production over 10 years. This is an amount equivalent to only four days of U.S. oil imports, or a modest $80 million, on average, each year for this critical research.

- **Commercialization and Production Incentives.** One of the most significant barriers to commercialization of biomass ethanol technology is the unproven nature of the technology in large-scale commercial facilities. The Governors' Ethanol Coalition recommends that the Federal Government offer market-based incentives for commercial demonstration and technology application to support large-scale operations resulting in production of 1 billion gallons a year of biomass-derived ethanol by 2015 at a cost that is competitive with gasoline and diesel. The approach favored by the Coalition would utilize a "reverse auction" for delivery of the incentives. This auction approach, already utilized by some State governments, requires would-be developers to compete for production incentives through an open bidding process that provides incentives to the bidder that delivers production at the least cost while meeting all other eligibility requirements. The Governors' Ethanol Coalition recommends $800 million for these incentives.

Based upon the expert input provided to the Governors' Ethanol Coalition, as well as the states' own experiences in fostering ethanol production, the Coalition believes a strong national policy commitment and integrated implementation of each of these recommendations is needed.

Please accept our thanks for your leadership on energy issues and your support for ethanol and biofuels. We urge you to impress upon Congress the importance of this issue, and we look forward to working with you and Congressional leadership to encourage development and passage of legislation that would support these important recommendations — mitigating a serious risk to the nation's security.

Sincerely,

Tim Pawlenty, Chair  
Governor of Minnesota

Kathleen Sebelius, Vice Chair  
Governor of Kansas