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April 24, 2003

Honorable Pete Domenici
Chairman
Energy and Natural Resources Committee
U.S. Senate
Washington, D.C. 20510

Honorable Jeff Bingaman
Ranking Member
Energy and Natural Resources Committee
U.S. Senate
Washington, D.C. 20510

Dear Chairman Domenici and Senator Bingaman:

We are writing to respectfully urge your support of S. 791, the Reliable Fuels Act of 2003, which was approved recently by the Environment and Public Works Committee.

For the past four years, the 29 members of the Governors’ Ethanol Coalition have worked closely with the White House, Members of Congress, the nation’s governors, and a broad range of other interested parties to craft legislation to address many of the nation’s complex transportation fuel problems. Our goal is to address these problems while assuring that the nation’s energy transportation policy moves the nation away from petroleum based transportation fuels and toward the use of more renewable fuels such as ethanol and biodiesel. These goals are all satisfied in the fuels agreement contained in S. 791. Each of the following provisions of the bill represent an important change in federal law that is critical to the careful policy and political equilibrium that the overall package maintains:

- A renewable fuels standard is created that will increase the use of domestically produced renewable fuels to five billion gallons over the next ten years. The bill also allows the nation’s refiners to buy credits from refiners that use ethanol in other states to meet the requirement, ensuring additional refiner flexibility to use ethanol where it is most efficient and economical.

- MTBE is banned in four years. The bill also authorizes funding to prevent and clean up MTBE contamination from leaking underground tanks, a provision important to governors struggling to clean up groundwater contaminated by MTBE.
The oxygen requirement is eliminated from the reformulated gasoline program, while strong antibacksliding language ensures air quality is not compromised. This change is very important to many governors who have acted to eliminate MTBE from their gasoline supplies, while also ensuring that the air quality improvements from the oxygen requirement are maintained.

The expectation that Congress would adopt a renewable fuel requirement has resulted in a significant expansion of the nation’s ethanol production capacity. Eleven ethanol plants are now under construction with a combined capacity of more than 500 million gallons annually. Seven of these plants are farmer-owned. Currently, 70 ethanol plants are on-line with a capacity of more than 2.75 billion gallons a year. Twenty-nine of these plants are farmer-owned.

The long-term impact of the renewable fuel requirement on both the farm and overall economy is also significant. By 2012, more than 214,000 new jobs will be created throughout the entire economy. The demand for grain will increase an average of 1.4 billion bushels over the next decade. And more than 1.6 billion barrels of oil will be displaced during the same period.

As governors and as members of the Governors’ Ethanol Coalition, we cannot stress strongly enough how important the fuels agreement is to a sound national transportation policy and to the nation’s agricultural community.

Please accept our thanks for your support.

Sincerely,

John Hoeven, Chairman
Governor of North Dakota

Rod Blagojevich, Vice Chairman
Governor of Illinois

c. Members, Senate Energy and Natural Resources Committee
Honorable Spencer Abraham
Honorable Christine Todd Whitman