



GOVERNORS' BIOFUELS COALITION

• Iowa Gov. Terry Branstad, Chair • Illinois Gov. Pat Quinn, Vice Chair • Minnesota Gov. Mark Dayton, Past Chair

March 12, 2013

Honorable Harry Reid
Majority Leader
522 Hart Senate Office Bldg.
Washington, DC 20510

Dear Majority Leader Reid:

The renewable fuels standard (RFS) has had a tremendous positive economic impact on the Coalition's states and remains an important policy framework to support the national production of biofuels for years to come. Recent attacks on the RFS have been well-funded, unrelenting and false, and we want to set the record straight. Biofuels have already:

- Reduced our nation's dependence on foreign oil,
- Reduced the uncertainty that comes with periodic oil spikes,
- Diversified our nation's energy portfolio,
- Reduced environmental and health impacts of transportation fuels,
- Maximized value-add opportunities for agricultural products, and
- Created jobs and raised family incomes in rural America.

The passage of the RFS in 2005 has helped make progress on each of these worthy goals. We believe that there is widespread public support to reinforce policies that help our nation advance in the above outlined areas. A poll recently commissioned by the Renewable Fuels Association showed that 64% of Americans support the RFS. Many states have reinforced the RFS to maximize the benefits that come from biofuels by enacting a myriad of related state-based policies in including marketing, production, infrastructure, and research and development programs.

The Coalition has worked with every Congress and Administration since its founding to support biofuels research, create national policies to advance biofuels, and build on state policies that foster economic growth and innovation. With the support of 36 governors, Congress strengthened the RFS in 2007 by including advanced biofuels and creating a foundation for first generation plants to sustain an expanding, new part of the industry. That approach is working. At least sixteen biorefineries using non-grain feedstocks, including the Poet plant in Emmetsburg, Iowa, and the DuPont plant in Nevada, Iowa, are under development or construction around the nation.

Since the passage of the RFS, the United States has reversed the course of our dependence on imported oil. The U.S. Energy Information Administration (EIA), says that two important drivers of this trend include:

- The increased efficiency of the U.S. auto and truck fleet.
- The increased production of U.S. biofuels which grew from a fraction of the fuel market in 2005 to the gasoline equivalent of 2 million barrels of oil a day in the form of clean, high octane, renewable fuel.

The RFS is a policy that works. In 2010, domestic oil extraction yielded the equivalent of 39 billion gallons of gasoline, and 200 plants across the country created 13.2 billion gallons of ethanol. Ethanol accounted for 25 percent of domestically produced fuel consumed by our nation's gasoline powered vehicles. Moreover, according to a 2008 National Renewable Energy Laboratory study, *The Impact of Ethanol Blending on U.S. Gasoline Prices*, U.S. biofuels production saved consumers an average of 14 cents a gallon in 2008 and could save as much as 63 cents a gallon when the nation meets the 36 billion gallon requirement set by Congress. A more recent study conducted by Iowa State University and the University of Wisconsin showed that domestically-produced ethanol reduced wholesale gasoline prices by an average of \$1.09 per gallon in 2011. A more recent study conducted by economics professors at Iowa State University and the University of Wisconsin, showed that domestically-produced ethanol reduced wholesale gasoline prices by an average of \$1.09 per gallon in 2011.

As governors, job creation is our number one concern, and we have witnessed the dramatic economic benefit of biofuel plants in our states. For example, a 2009 North Dakota State University analysis shows that a single cellulosic ethanol plant will result in a one-time investment of \$176 million, \$74 million in annual operation expenses, \$36 million in annual non-grain feedstock purchases, employment of 77 workers at the plant, and support for 2,400 secondary jobs — a total \$183 million contribution to the state's economy each year. This is why states as diverse as Iowa, Nebraska, Kansas, Illinois, Oregon, and Florida have provided hundreds of millions of dollars in loans and incentives matched with state and national policies such as the RFS. That is why we steadfastly support the RFS.

It remains popular to single out biofuels as the reason for a range of unrelated concerns such as food price increases. Quite simply, these arguments are not factual, and they ignore what experts at the World Bank and U.S. Department of Agriculture have identified as the real causes: the dramatic and steadily rising meat demand from an increasingly wealthy China and a continued devaluation of the U.S. dollar that moves nearly all commodity prices — grain, petroleum, gold, coffee, copper — upward. Current biofuels production uses only the starch in corn and returns higher value protein and oils used in animal feed in the United States and abroad. The refining byproducts, called distillers grains, replace corn for animal feed on a nearly 1-to-1 basis. Detractors who say that 40 percent of the corn crop is used for biofuels without noting the return of distillers grain to the feed market would be analogous to suggesting petroleum refiners discard half of each barrel of oil after making gasoline, when in fact they use the remainder to produce diesel, jet fuel, aromatics, and chemicals. In addition, overall agricultural advancements and innovations have led to tremendous yield improvements that seemed impossible just decades ago. These improved agricultural practices and technologies have reduced the yield fluctuations and crop production volatility that historically harmed producers and consumers of U.S. grain.

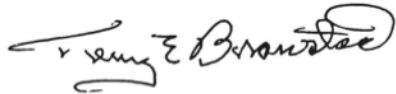
By intentionally using misinformation, biofuels opponents damage the nation's economy, environment, and energy security. When a biofuels plant is not built, jobs in rural America are lost and income growth opportunities are forfeited. When the use of biofuels is not maximized, our nation misses an opportunity to produce clean-burning, renewable ethanol and biodiesel that displaces imported oil and produces valuable by-products for domestic use and export.

The economic benefit from the growth of advanced biofuels, including biodiesel, as outlined in the RFS will continue, provided that consistent policy signals are maintained. However, the uncertainty created by the proposed RFS modifications has made investment more difficult and weakened the market for biofuels, despite falling biofuels production costs brought about by private sector innovation. The current flexibilities and safeguards built into the RFS are working. As governors who see firsthand the impact that the RFS has had on our states, we urge you to reject any modifications to the RFS.

As chair and vice chair of the Coalition, we belong to different parties and do not share the same views on every issue. However, we strongly agree that continued expansion of our domestic biofuels industry through a strong Renewable Fuels Standard is essential for the nation's energy and economic future.

With your continued support of the RFS, we can help bring further progress.

Sincerely,



Terry E. Branstad, Chairman
and Governor of Iowa



Pat Quinn, Vice Chairman
and Governor of Illinois

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Members, Senate Energy and Natural Resources Committee

Members, House Energy and Commerce Committee

Honorable Ernest J. Moniz, Designee, Secretary, U.S. Department of Energy

Honorable Tom Vilsack, Secretary, U.S. Department of Agriculture

Honorable Bob Perciasepe, Acting Administrator, U.S. Environmental Protection Agency