April 18, 2012

Honorable Dave Camp
Chairman
Committee on Ways and Means
Longworth HOB 1102
U.S. House of Representatives
Washington, DC 20515

The Honorable Max Baucus
Chairman
Committee on Finance
Dirksen SOB 219
U.S. Senate
Washington, DC 20510

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
Longworth HOB 1106
U.S. House of Representatives
Washington, DC 20515

The Honorable Orrin G. Hatch
Ranking Member
Committee on Finance
Dirksen SOB 219
U.S. Senate
Washington, DC 20510

Dear Chairman Camp, Chairman Baucus, Representative Levin, and Senator Hatch:

On behalf of the Governors' Biofuels Coalition, we are writing to express our support for the inclusion of E85 as an alternative fuel for purposes of the alternative fuels tax credit and to urge the extension of this important provision. Under the *Energy Policy Act of 1992*, E85 is an alternative fuel for federal energy policy purposes. However, Congress originally wrote E85 out of the alternative fuels credit in order to avoid a double tax benefit under both the ethanol tax credit and the alternative fuels tax credit. Now that Congress has ended the ethanol credit, E85 could continue to benefit from the alternative fuels incentive.

The Governors' Biofuels Coalition is made up of 33 member states that produce approximately 95 percent of the ethanol produced in the U.S. We seek to increase the use of ethanol and other biofuels, decrease America's dependence on imported energy resources, improve the environment, diversify our nation's energy portfolio and stimulate the national economy. In the most recent data from 2010, the ethanol industry:

- Displaced 445 million barrels of oil.[1]
- Contributed to reductions in emissions of ozone forming pollutants, carbon monoxide and air toxins like benzene and 1,3 butadiene.[2]

[1] "Contribution of the Ethanol Industry to the Economy of the United States" by John M. Urbanchuk, February 2011

[2] "Effect of E85 on Tailpipe Emission from Light-Duty Vehicles," Journal of the Air & Waste Management Association, February 2009

- Employed over 400,000 Americans, including over 70,000 jobs were directly involved in the ethanol production process and the delivery of goods and services to ethanol producers.[3]
- Added $36 billion to American household income and contributed $53.6 billion to the Gross Domestic Product (GDP).[4]

There are over 9 million E85-compatible flex fuel vehicles on the road today and approximately 2,500 retail stations that have invested millions of dollars in the infrastructure to sell E85. E85 is currently a serious viable alternative to petroleum at the pump. Repealing the ethanol credit without addressing the E85 issue would have serious unintended consequences for thousands of small businesses, millions of flex fuel vehicle owners, and the nation's ability to achieve the volume requirements of the Renewable Fuel Standard established in the *Energy Policy Act of 2005*.

While ethanol as a fuel additive (E10) is not requesting a subsidy, ethanol as an alternative fuel (E85), in the short run, continues to need a tax incentive to establish its position in the marketplace, to encourage expanding the availability of stations providing alternative fuel options, and to allow the Renewable Fuel Standard to do its job, allowing E85 to become a self-sustainable alternative fuel. Without the credit, consumers will turn to standard gasoline options.

If E85 is not included in the alternative fuel tax credit, flex fuel vehicle drivers will pay as much as 38 cents more per gallon, significantly reducing the demand for the fuel. On the other hand, extending the credit with E85 would only cost the Treasury approximately 0.8% of the full, expired ethanol subsidy. We believe this small, short-term investment will make a significant difference in the success of petroleum fuel alternatives.

Thank you in advance for your support of the domestic biofuel industry. Thank you for your time and consideration.

Sincerely,

Mark Dayton, Chair
and Governor of Minnesota

Terry E. Branstad, Vice Chair
and Governor of Iowa

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[3] "Contribution of the Ethanol Industry to the Economy of the United States" by John M. Urbanchuk, February 2011

[4] "Contribution of the Ethanol Industry to the Economy of the United States" by John M. Urbanchuk, February 2011