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GOVERNOR

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August 22, 2012

The Honorable Lisa Jackson
Administrator, Environmental Protection Agency
1200 Pennsylvania Ave, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OAR-2012-0632

Dear Administrator Jackson:

As governor of a state with a significant biofuels industry, I write to urge you to uphold the Renewable Fuel Standard (RFS). I strongly believe that maintaining the RFS is essential to ensuring robust food and energy supplies and a stable and strong economic future for my state and the nation. I do not believe that current facts warrant a RFS waiver by the U.S. Environmental Protection Agency. Moreover, it is not sound policy to address uncertainty in one component of the agricultural economy by increasing uncertainty in another component. Especially, as in this case, when the benefit to livestock producers is uncertain and the nation's renewable fuel industry will be negatively impacted. While the drought has presented livestock producers with challenges, a waiver to the RFS is not an appropriate response.

With the support of 36 governors, Congress and President Bush approved the RFS in 2005 and strengthened it in 2007 with the aim of reducing oil imports, moving toward sustainable grain markets, and expanding rural economic development opportunities. That approach worked. In 2010, ethanol accounted for 25 percent of domestically produced fuel consumed by the nation's gasoline-powered light-duty vehicles. Ethanol has a positive energy balance that is constantly improving with new technologies.¹ Additionally, the ethanol industry directly employs 90,200 Americans and an additional 311,400 Americans work in industries indirectly affiliated with ethanol production.² A RFS waiver would jeopardize the environmental, economic and energy supply benefits created by the renewable fuels industry.

Additionally, the fact that nearly one-third of the corn used in ethanol production re-enters the market as high protein animal feed – and that distillers grains are providing more than 20% of cattle feed diet³ – is often ignored by ethanol opponents. Distillers grains decrease demand for corn and soy meal for livestock feed. Federal policy should support value-added opportunities and diversification of agricultural products.

Policy uncertainty could constrain investment in the renewable fuels industry. A decision by EPA to waive the RFS would signal that U.S. renewable fuels policy is risky. This action would slow investment needed for advanced biofuels and the benefits they bring.

¹ Emission Facts; Greenhouse Gas Impacts of Expanded Renewable and Alternative Fuels Use (EPA420-F-07-035); Ethanol Myths and Facts, U.S. Department of Energy and U.S. Environmental Protection Agency.

² Contribution Of The Ethanol Industry to the Economy Of The United States; CARDNO Entrix Economics, February 2, 2012 commissioned by the Renewable Fuels Association (http://ethanolrfa.3cdn.net/c0db7443e48926e95f_j7m6i6zi2.pdf)

³ "Estimating the Substitution of Distiller's Grains for Corn and Soybean Meal in the U.S. Feed Complex," USDA FDS-11-I-01; October 2011. (<http://www.ers.usda.gov/publications/fds-feed-outlook/fds11i01.aspx>)

The drought is causing hardships for farmers and livestock producers. I have taken steps to ease burdens for livestock producers in my own state and many other governors have done the same. In addition, Iowa officials have also coordinated closely with the USDA to communicate and enact drought-related Federal programs and flexibilities as quickly as possible. I remain hopeful that Federal disaster provisions, including the Livestock Indemnity Program, will soon be passed by the U.S. Congress to provide additional certainty for livestock producers. National policy makers should avoid short-term actions that increase uncertainty in a national economy that already is unstable.

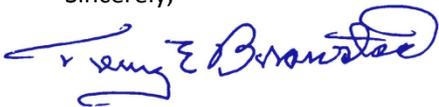
Biofuels policies have motivated farmers to use advanced seed and agricultural methods that will elevate harvested amounts above levels seen in previous droughts. In addition, there are important signs that market-based responses are working. The market has encouraged increased productivity in various aspects of crop production. The market has driven recent reductions in ethanol production. Further, U.S. blenders have an economic incentive to utilize ethanol in gasoline because ethanol costs approximately \$0.35 less per gallon than its alternatives.⁴ Utilizing other high-octane alternatives would increase fuel prices even more. Unnecessary increases in fuel costs would not be a welcome development for America's families, job creators, and economic recovery. Quite simply, a government waiver action is not necessary and would not be helpful.

It is also important to give some perspective to the debate over consumer food prices. There are many different factors that influence retail food prices including commodity, energy, labor, marketing, processing, and transportation costs. No single commodity drives food prices and the productivity of America's farmers and ranchers allows our citizens to pay a lower proportion of their income for food than the people of any other developed nation. As U.S. Secretary of Agriculture Tom Vilsack recently reiterated, farmers receive only 14 cents of every food dollar -- of that amount, corn costs are just 3 cents. In addition, the USDA recently estimated that the 2012 food inflation will remain near the 10-year average. In short, the food arguments against the RFS just do not hold-up to critical analysis.

I have seen the positive impacts that the RFS has had on my state and on the nation. I respectfully request that you uphold the RFS.

Thank you for your time and consideration.

Sincerely,



Terry E. Branstad
Governor of Iowa

cc: Members, Senate Energy and Natural Resources Committee
Members, House Energy and Commerce Committee
Honorable Steven Chu, Secretary, U.S. Department of Energy
Honorable Tom Vilsack, Secretary, U.S. Department of Agriculture
Members of the Iowa Congressional Delegation

⁴ Morgan Stanley Analysts: Ethanol Demand a Function of Economics