November 2, 2011

Representative Andy Harris
506 Cannon HOB
Washington, DC 20515

Representative Brad Miller
1127 Longworth HOB
Washington, D.C. 20515

Dear Chairman Harris and Ranking Member Miller,

With the Science Subcommittee on Energy and Environment conducting a hearing on the consequences of motor fuel standards this afternoon, we are writing to submit for the record our strong support for the federal Renewable Fuel Standard (RFS). While we appreciate that the industry witnesses scheduled to testify before the committee today will bring with them a wealth of knowledge about fuel markets, we are less convinced that they will be interested in discussing the true value of the federal RFS.

First and foremost, the federal RFS is the single-most effective policy ever enacted to reduce our dependence on foreign oil. It is the cornerstone of a bioenergy economy that emerged in rural America in stark contrast to economic trends in which our country lost incredible wealth to China and OPEC. American ethanol production has helped some 400,000 Americans find work and reduced oil imports by 445 million barrels in 2010. Still, with continued high oil prices, OPEC nations are forecasted to pocket $1 trillion in oil profit in 2011, much of which will be drawn from local U.S. economies that cannot afford to support economies in the Middle East. While there are no doubt growing pains associated with introducing new fuels into the U.S. transportation fuel marketplace, these transitional issues can be addressed, and pale from a consumer cost perspective in comparison to remaining dependent on foreign oil.

Second, it is quite likely that many of the witnesses testifying under oath today will pledge their support for advanced biofuels, while noting their slow emergence. It therefore makes sense to set the record straight with regard to where the advanced biofuels industry is in its development, and what it needs to reach its full potential in the marketplace.

1. The advanced ethanol industry is just beginning to build first commercial plants. Project finance is complete, or nearly complete, for roughly a dozen commercial advanced biofuels facilities across the country. Many of these facilities will produce renewable fuels, chemicals and power in areas struggling to create prosperity. While it is true that the recession and other variables have slowed down this economy for
several years, the advanced ethanol industry continues to persevere and is just beginning to put steel in the ground.

2. Our industry needs strong and dependable policies, such as the federal RFS, that will ensure that advanced biofuel investments being made in places like California, New Mexico, Kansas, Mississippi, Illinois, Georgia, Michigan, Iowa and other states will create new economies and new opportunities for Americans. Weakening or walking away from the RFS would greatly impede efforts to develop the next generation of biofuel technologies and further embed America’s dependence on foreign oil.

3. While the RFS is critical for advanced ethanol companies to attract capital and begin commercialization, it is time to open up the marketplace to allow ethanol to compete based on price. That means investments in new infrastructure like blender pumps and deployment of vehicles designed to take of advantage of the unique performance characteristics offered by ethanol-blended fuels. Such initiatives, like the Open Fuel Standard, would move America in this direction.

4. Congress should not let politics get in the way of good science when it comes to opening up markets to new types of bio-based fuels, including ethanol, bio-based diesel, and other types of biofuels. A recent example is the U.S. Environmental Protection Agency’s (EPA’s) approval of E15 ethanol blends for use in 2001 and newer passenger vehicles. Increasing ethanol blending levels, in both low- and high-blends, is crucial to the emergence of our industry because innovation is undercut by saturated markets. After millions of miles of study, EPA granted its partial waiver but also recognized special circumstances with regard to marine and small engine platforms. The fuel industry has taken precautions before to prevent unintended consequences during other important fuel transitions, including the phase-out of lead and MTBE and the reduction of sulfur levels in diesel and other fuels. EPA’s labeling and misfueling mitigation programs are more than sufficient to provide consumers with the information they need to appropriately and legally utilize E15.

Finally, we would like to comment on the general need for a blending requirement. The biofuels industry would not need a blending requirement to establish demand and commercialize its product if the U.S. transportation fuel marketplace was open and competitive, and rewarded innovation. Unfortunately, this is not the case. Decades of subsidies and tax policy promoting fossil fuels have created a highly-consolidated, vertically-integrated marketplace lacking the market fundamentals necessary to reward new and innovative fuels ready to compete based on price. Until that dynamic is changed with technology-forcing policies like the federal RFS, consumers will not have a choice at the pump and OPEC will continue to drain the U.S. economy of jobs and capital. This should not be an option under consideration.
The AEC strongly urges you and your colleagues on the subcommittee to take a holistic look at American renewable fuel production. What America has been able to achieve with first generation biofuels is just the beginning. With revolutionary new technologies, improvements in efficiency and a commitment to progressive energy and tax policies, America can lead a clean fuel revolution that will break our dependence on foreign oil and put the United States in a better position to succeed in the global marketplace.

We appreciate the opportunity to provide comment on this important matter and would be happy to address any questions you might have.

Sincerely,

R. Brooke Coleman
Executive Director
Advanced Ethanol Council (AEC)