May 24, 2010

The Honorable Sander M. Levin                The Honorable David L. Camp
Chairman                                       Ranking Member
Committee on Ways & Means                     Committee on Ways & Means
1102 Longworth House Office Building          1102 Longworth House Office Building
Washington, DC  20515-6348                    Washington, DC  20515-6348

Dear Chairman Levin and Ranking Member Camp,

As the House Ways & Means Committee considers green jobs legislation over the next several weeks, the members of the Renewable Fuels Association would urge you to include an extension of the expiring tax incentives for ethanol in any legislative package designed to promote green job growth and economic revitalization. Specifically, we urge you to include the provisions from H.R. 4940, the Renewable Fuels Reinvestment Act of 2010 sponsored by Representatives Earl Pomeroy (D-ND) and John Shimkus (R-IL).

Ethanol has been an extremely useful weapon in the fight for energy independence and our efforts to promote more clean and renewable alternatives to imported petroleum based fuels. With the support of government programs and incentives designed to increase the use and production of renewable fuels, the U.S. ethanol industry has experienced dramatic and sustained growth despite a highly volatile global oil market. Today, the U.S. ethanol industry has helped nearly 400,000 Americans all across America find a job or keep the one they have. In addition, last year alone, ethanol added more than $50 billion to the national Gross Domestic Product and displaced the need for more than 360 million barrels of imported oil, valued at $16 billion. Finally, ethanol is saving money for American consumers. Blending ethanol at the currently allowed level of 10% per gallon of gasoline saves American drivers up to 12 cents per gallon.

By providing a value added market for farmers, the U.S. ethanol industry is an unrivaled engine for job creation and economic opportunity throughout our nation’s beleaguered rural economy. As evidence, a new ethanol biorefinery in Hopewell, Virginia, will begin production this summer of 100 million gallons of ethanol from 30 million bushels of barley. To fill the approximately 43 jobs at the plant, the company received nearly 1,200 applications. Seeking to maximize the local benefits, Osage Bio Energy focused on hiring those who were military veterans or had recently lost their job. Of those hired by Osage, half were unemployed at the time of their offer. Such benefits are not limited to areas of the country proficient in grain production. As the use of advanced and cellulosic feedstocks for ethanol expands under the Renewable Fuels Standard, the industry and its resulting green job creation and economic stimulus is expected to diversify geographically and expand throughout the entire country.
In your home state of Michigan, ethanol is a major driver of green job growth and rural revitalization. With plants in Caro, Riga, Woodbury, Albion and Marysville, Michigan stands 11th in the nation in ethanol production capacity, just behind Kansas and North Dakota. Currently, Michigan has an annual ethanol production capacity of 265 million gallons, and has an additional 5 million gallons of additional capacity under construction. From a job creation perspective, this production capacity represents approximately 4,796 direct and indirect jobs. These include jobs directly related to biorefining of ethanol, but also those jobs associated with feedstock production and supply, natural gas inputs, electricity, water, denaturants and transportation. These are good paying, local jobs that cannot be exported.

The benefits domestic ethanol production has provided and the promises for the future are not guaranteed. There is still a role for the federal government to play in continuing the evolution of this domestic industry. According to a report prepared by Dr. John Urbanchuk of Entrix, the failure to extend the Volumetric Ethanol Excise Tax Credit (VEETC), will result in the industry reducing its production volume by 38 percent. That is approximately 4 billion of the 10.75 billion gallons produced in 2009. The report further finds that this loss of production volume will in turn result in the shedding of approximately 112,000 jobs in all sectors of the economy.

Equally important, extending existing tax credits for small ethanol producers as well as cellulosic and other next generation ethanol producers is critical. The Small Producer Tax Credit has allowed farmers and other residents in dozens of small communities to invest in ethanol production with confidence, providing new markets for agricultural products and revitalizing Main Streets. Likewise, the Cellulosic Biofuel Producer Tax Credit provides a measure of confidence for investors and venture capitalists that is necessary to finance the first commercial-scale cellulosic ethanol biorefineries. These two provisions, while not expiring this year, must remain part of the strategy that continues moving America in a renewable fuel direction.

Given the lingering effects of the recent recession and the lagging job growth that our nation is experiencing, we simply cannot afford to allow these good paying, green jobs to disappear. Moreover, as we watch oil prices creep ever higher in response to increased world demand speculation driven by the ecological disaster in the Gulf of Mexico, it is critical that we do everything to keep consumer gasoline costs from rising further. Allowing the tax incentives for ethanol to lapse would absolutely result in higher prices for consumers. Finally, and perhaps more importantly, now is a time when we must continue to move aggressively toward more clean, renewable alternatives to petroleum based fuels. Thus, it is essential that the nation continue to provide incentives that encourage investment in new technologies, commercialization, and greater efficiencies in the biofuel industry.

By including an extension of these important incentives in any green jobs legislative package, Congress will advance the goal of providing cleaner, renewable energy alternatives and save existing green jobs while promoting additional job opportunities from an expanding biofuel industry.

If you have any questions, or wish to discuss this matter further, please feel free to contact me or our Legislative Counsel, Edward Hubbard, at 202-289-3835.

Sincerely,

Bob Dinneen
President