March 7, 2012

The Honorable Ed Whitfield
Chairman
Subcommittee on Energy and Power
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C.  20515

The Honorable Bobby Rush
Ranking Member
Subcommittee on Energy and Power
Committee on Energy and Commerce
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Dear Chairman Whitfield and Ranking Member Rush:

Unprecedented high gas prices this winter in a run-up to the traditional spike seen in advance of the summer driving season are threatening a fragile economic recovery and inflicting increasing pain on millions of Americans already scraping to make ends meet. While the issue of gas prices is complicated, there are concrete and immediate actions that Congress could take to help reduce America’s exposure to volatile world oil markets and the subsequent spikes in gasoline price we are witnessing today.

First, Congress must reaffirm its commitment to the Renewable Fuel Standard (RFS). This forward-looking policy is displacing imports of oil and helping put downward pressure on an oil and gasoline market that is threatening to go unchecked. Since enactment in 2005, America has seen its reliance on imported oil fall from 60% to 45%. Not coincidentally, America has also seen its use of ethanol climb from 1% to 10% of the nation’s gasoline supply in the same amount of time. Requiring fewer barrels of oil for refinement into gasoline is an obvious but necessary step in keeping gasoline prices in check. The RFS, by that measurement, has been a resounding success.

Second, Congress needs to extend critical tax incentives for advanced and cellulosic ethanol producers to ensure stable federal policy is inducing much-needed private sector investment. Expanding both the volumes of ethanol and the feedstocks from which it is made will be paramount to meeting the goals of the RFS, further reducing our reliance on fossil fuels, and helping keep gasoline prices from restricting America’s economic growth.

Third, Congress must work to level the marketplace for alternatives to petroleum-based fuels. This includes investment and support in alternative fuel infrastructure, such as blender pumps, which can offer a wide range of ethanol blends and give consumers a choice at the pump. It also includes
mandating more vehicles be flex fuel vehicles, or FFVs, capable of utilizing the same wide range of ethanol blends offer by blender pumps. Building out this marketplace equity will not happen overnight, but legislation like the Open Fuel Standard introduced in the House by Rep. John Shimkus and Rep. Elliott Engel would go a long way toward creating the parity and choice the nation’s fuel market so desperately needs.

The economics today are quite clear. Currently, a gallon of ethanol is selling for approximately $1 less than a conventional gallon of gasoline. At the standard E10 ethanol blend, that is an immediate savings of $0.10 per gallon for American motorists. With increased ethanol blending, like levels up to E15, the savings would be even greater.

By their very nature, markets fluctuate and respond to basic supply and demand dynamics. What is true today may change six months from now. The only way to avoid this continuous rollercoaster of oil and gasoline prices is to provide Americans with a real choice at the pump. Maintaining critical policies like the RFS, extending key tax policies for new fuel commercialization, investing in renewable fuel infrastructure, and passing innovative polices like the OFS are actions that Congress can take this year to provide Americans choice in the fuel they use and help mitigate the damage wrought by the vagaries of oil and gasoline markets.

Congress has the tools and the ideas before it to begin putting an end to this never-ending escalation in American gasoline pricing. Increasing ethanol production and use from a wide range of sources is the right place to start.

Sincerely,

Bob Dinneen
President and CEO
Renewable Fuels Association

R. Brooke Coleman
Executive Director
Advanced Ethanol Council