United States Senate

WASHINGTON, DC 20510

November 30, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 United States Capitol
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230 United States Capitol
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

We are writing to make you aware that we do not support an extension of either the 54 cent-per-gallon tariff on ethanol imports or the 45 cent-per-gallon subsidy for blending ethanol into gasoline. These provisions are fiscally irresponsible and environmentally unwise, and their extension would make our country more dependent on foreign oil.

Subsidizing blending ethanol into gasoline is fiscally indefensible. If the current subsidy is extended for five years, the Federal Treasury would pay oil companies at least $31 billion to use 69 billion gallons of corn ethanol that the Federal Renewable Fuels Standard already requires them to use. We cannot afford to pay industry for following the law.

The tariff on ethanol makes our country more dependent on foreign oil. The tariff is nine cents per gallon higher than the ethanol subsidy it supposedly offsets, and this lack of parity puts imported ethanol at a competitive disadvantage against imported oil. This discourages transportation fuel imports from Brazil, India, Australia, and other sugar producing countries, and leads to more oil and gasoline imports from OPEC countries that enter the United States tariff-free. Eliminating or reducing the ethanol tariff would diversify our fuel supply, replace oil imports from OPEC countries with ethanol from our allies, and expand our trade relationships with democratic states.

The data overwhelmingly demonstrate that the costs of the current ethanol subsidy and tariff far outweigh the benefits. According to a July 2010 study by the Congressional Budget Office, ethanol tax credits cost taxpayers $1.78 for each gallon of gasoline consumption reduced, and $750 for each metric ton of carbon dioxide equivalent emissions reduced. The Center for Agricultural and Rural Development at Iowa State University recently estimated that a one-year extension of the ethanol subsidy and tariff would lead to only 427 additional direct domestic jobs at a cost of almost $6 billion, or roughly $14 million of taxpayer money per job.

Historically our government has helped a product compete in one of three ways: subsidize it, protect it from competition, or require its use. We understand that ethanol may be the only product receiving all three forms of support from the U.S. government at this time.

Eliminating or reducing ethanol subsidies and trade barriers are important steps we can take to reduce the budget deficit, improve the environment, and lessen our reliance on imported oil. We look forward to working with you on responsible energy tax policy.

Sincerely,

Dianne Feinstein
United States Senator

Jon Kyl
United States Senator

Jack Reed
United States Senator

Richard Burr
United States Senator

Benjamin Cardin
United States Senator

Mike Enzi
United States Senator

Jim Webb
United States Senator

Bob Bennett
United States Senator

Barbara Boxer
United States Senator

John McCain
United States Senator

Sheldon Whitehouse
United States Senator

Tom Coburn
United States Senator

Susan Collins
United States Senator

Bob Corker
United States Senator

Jeanne Shaheen
United States Senator

Mark Warner
United States Senator

Chris Coons
United States Senator