



Governors' Ethanol Coalition

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• International alliances with **Brazil, Canada, Mexico and Sweden** •

June 14, 2002

The Honorable Jeff Bingaman
U.S. Senate
703 Hart Senate Office Building
Washington, DC 20510

Dear Senator Bingaman:

The House-Senate Conference Committee will soon take up the nation's first major energy policy legislation (H.R. 4) in the past ten years. You will be asked to reconcile the differences between the House and Senate versions of this landmark legislation. We respectfully urge you to convene the conference committee as soon as possible and to approve the ethanol provisions contained in this legislation with no modifications.

For the past three years, the Governors' Ethanol Coalition has worked closely with the White House, members of Congress, the nation's governors, and a broad range of special interests to craft legislation to address many of the nation's complex transportation fuel problems. Our goal was to address these problems while assuring that the nation's energy transportation policy moves the nation away from petroleum based transportation fuels and toward the use of more renewable fuels such as ethanol and biodiesel. Remarkably, these goals were all satisfied in legislation introduced by Senator Lugar and Senator Daschle that was overwhelmingly approved by the Senate in April. Each of the following provisions of the bill represents an important change in federal law that is critical to the careful policy and political equilibrium that the overall package maintains:

- The oxygen requirement is eliminated from the reformulated gasoline program. This change is very important to many governors who have acted to eliminate MTBE from their gasoline supplies, while also ensuring that the air quality improvements from the oxygen requirement are maintained.
- MTBE is banned in four years. The bill also authorizes funding to prevent and clean up MTBE contamination from leaking underground tanks, a provision important to governors struggling to clean up groundwater contaminated by MTBE.
- A renewable fuels standard is created that will nearly triple the use of domestically produced renewable fuels over the next ten years. The bill also allows the nation's refiners to buy credits from refiners that use ethanol in other states to meet the requirement, ensuring additional refiner flexibility to use ethanol where it is most efficient and economical.

- Farmer-owned cooperatives will now be eligible for the small ethanol production tax credit. At present, this credit works as a disincentive to farmers organized as a cooperative. The use of the small ethanol producer credit for farmer cooperatives will make available an incentive that is important to the nation's ethanol plant development efforts, especially in rural areas.
- Federal income tax credits will be available to retailers for 85 percent ethanol sold at retail and to retailers who install 85 percent ethanol fueling sites. The sales incentive offsets the reduced BTU content of ethanol when used as an alternative fuel.

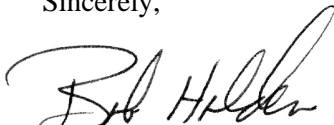
The expectation that Congress would adopt a renewable fuel requirement has resulted in a significant expansion of the nation's ethanol production capacity. Fourteen ethanol plants are now under construction with a combined capacity of more than 430 million gallons annually. Eleven of these plants are farmer-owned. Currently, 61 ethanol plants are on-line with a capacity of 2.347 billion gallons a year. Twenty-six of these plants are farmer-owned.

The long-term impact of the renewable fuel requirement on both the farm and overall economy is also significant. By 2012, more than 214,000 new jobs will be created throughout the entire economy. The demand for grain will increase an average of 1.4 billion bushels over the next decade. And more than 1.6 billion barrels of oil will be displaced during the same period.

Many more plants are in the development stage, and will likely move forward as soon as the Conference Committee approves the ethanol provisions in this historic legislation. As governors and as members of the Governors' Ethanol Coalition, we cannot stress strongly enough how important this legislation is to a sound national transportation policy and to the nation's agricultural community.

Please accept our thanks for your support.

Sincerely,



Bob Holden
Governor of Missouri
Chair



John Hoeven
Governor of North Dakota
Vice Chair



Mike Johanns
Governor of Nebraska
Past Chair



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Governor of Iowa
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