

United States Senate

WASHINGTON, DC 20510

December 8, 2011

Dear Colleague:

In June, we authored an amendment, adopted by a vote of 73-27, to end longstanding ethanol subsidies—both the 46 cent-per-gallon subsidy for blending ethanol into gasoline and the 54-cent-per-gallon tariff on ethanol imports six months early. This victory for taxpayers could not have been achieved without your help, so we begin by thanking you for your vote.

Unfortunately, the underlying bill was not enacted, and the subsidy and tariff remain intact. We write to remind you that both of these subsidies are set to expire on December 31, 2011. Should an extension of one or both of these policies be included in a legislative package prior to the end of this legislative session, we would view it as a stark contradiction to the will of this Body. We would feel an obligation to object, and we ask that you would join us in voicing objection.

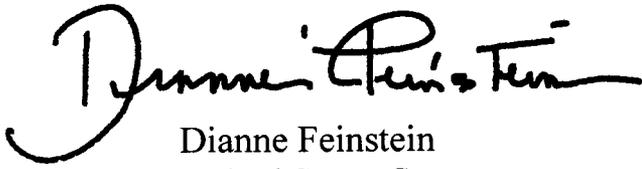
Further, we would like to share with you a report that the U.S. International Trade Commission recently issued that finds ending the ethanol tariff is in the interest of our nation. According to the U.S. International Trade Commission study, eliminating the protectionist ethanol import tariff will result in \$1.5 billion in economic benefits, largely realized as lower gas prices to consumers. Eliminating the tariff would also reduce our dependence on foreign oil by leveling the playing field between oil imported from OPEC, which faces no tariff, and more efficient sugar-based ethanol imported from Brazil, India, and other democratic states, which currently must pay this hefty tariff.

Additionally, if Congress allows the Volumetric Ethanol Excise Tax Credit (VEETC)—a tax subsidy for blending ethanol into gasoline—to expire Congress will save taxpayers approximately \$6 billion per year. This step would end a redundant subsidy that effectively compensates blenders of ethanol to comply with the mandates of the Renewable Fuel Standard. Subsidizing any industry for an action already mandated by Federal law is fiscally indefensible.

Eliminating ethanol subsidies and trade barriers will allow the U.S. to diversify its fuel supply according to market demand rather than the whims of politicians, replace oil imports from OPEC countries, expand trade relationships with democratic states, and protect consumers from high fuel prices.

We have attached additional background information on these issues. If you have additional questions, please do not hesitate to contact us or have your staff contact Adam Christensen at 4-9646 or Matt Nelson at 4-2745 in Senator Feinstein's office or Clay Lightfoot at 4-5848 in Senator Coburn's office.

Sincerely,

A handwritten signature in black ink that reads "Dianne Feinstein". The signature is fluid and cursive, with the first name "Dianne" being particularly prominent.

Dianne Feinstein
United States Senator

A handwritten signature in black ink that reads "Tom Coburn". The signature is cursive and somewhat stylized, with the first name "Tom" being the most distinct part.

Tom Coburn
United States Senator

Ethanol Import Tariff

The United States International Trade Commission identified additional benefits of an expiring import tariff in their August 2011 report “*The Economic Effects of Significant U.S. Import Restraints*”:

- **Eliminating the ethanol import tariff will result in \$1.5 billion in economic benefits.** *This would largely be realized as lower gas prices to consumers if less expensive ethanol were imported from our democratic allies.*
- **The domestic corn-based ethanol industry would decrease its output by only 2.2 percent.** *Eliminating the import tariff has little effect on the domestic ethanol industry.*
- **Output of commodities other than ethanol that are produced by the corn industry will likely expand slightly.** *These markets will become more attractive with the decline in price of ethanol.*
- **Production of corn is expected to contract by only 1 percent as a result of the decline in domestic production.** *Eliminating the import tariff has little effect on the productivity of the corn industry overall.*

Further, the United States International Trade Commission, in their September 2011 report “*Caribbean Basin Economic Recovery Act: Impact on US Industries and Consumers and on Beneficiary Countries*” found that ethanol imports from Caribbean Basin countries no longer play a role in the US ethanol supply (there have been no imports from these countries since March 2010).

Ethanol Blenders Tax Credit

A 46 cent tax credit is currently given for every gallon of ethanol that is blended into our gasoline infrastructure. There is considerable evidence that letting this credit expire will have little effect on jobs in the U.S. 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 also recently estimated that a one-year extension of the tax credit would only lead to 427 additional domestic jobs at a cost of more than \$14 million per job.