The Honorable Harry Reid
U.S. Senate Majority Leader
Hart Senate Office Building, Room 522
2nd and C Streets, N.E.
Washington, D.C. 20510

Dear Majority Leader Reid:

As you work to develop legislation to address the Deepwater Horizon spill in the Gulf of Mexico and meet America's many other energy challenges, we are writing to encourage you to include two bills in your broad energy legislation that will promote the further production and use of biofuels in the United States and thus help wean us off our dependence on oil: 1) the Consumer Fuels and Vehicle Choice Act (CHOICE Act), S. 1627, and 2) the Grow Renewable Energy from Ethanol Naturally Jobs Act, or "GREEN Jobs Act," of 2010, S. 3231.

As you know, in 2007 Congress enacted legislation establishing a renewable fuel standard (RFS) that calls for increasing the use of biofuels in the U.S. to 36 billion gallons per year by 2022. While the industry has made great strides toward achieving this goal, the rapid expansion of biofuel production and use has brought us face to face with a serious biofuel market issue commonly called the "blend wall." Sales of ethanol were nearly 11 billion gallons in 2009. Most of this ethanol is sold in the form of E10, a blend of 10 percent ethanol with gasoline. This is the only way ethanol can be used in most highway vehicles today, thus we are rapidly approaching the limit of how much ethanol can be used nationwide under current regulations. This is far below the biofuel contribution levels mandated in the RFS. Moreover, since E10 is the only form of ethanol available in most areas, and only a small portion of American vehicles can use E-85, most American motorists today have no way to purchase or use more homegrown ethanol in their cars and minivans and other highway vehicles. The blend wall is affecting the profitability of domestic producers, as ethanol supply and demand are not in balance.

The CHOICE Act can help overcome this blend wall barrier by ensuring that more vehicles on the road are able to use higher blends of ethanol, and that there are more fuel dispensers capable of providing higher blends of ethanol. This bill would require that increasing fractions of vehicles manufactured for sale in the United States be flex-fuel capable. It also would require that major fuel distribution networks increase the number of their retail fuel stations that install blender pumps and offer higher ethanol blends for sale. The additional cost of manufacturing a vehicle that is flex-fuel capable is not significant. In addition, blender pumps cost only slightly more than ordinary dispenser pumps, so their installation is not a major financial burden especially if it is undertaken over the next few years while many pumps are being upgraded to enable more sophisticated card-reading capabilities. Thus, enacting this legislation will enable increasing levels of ethanol use in transportation fuels without posing a burden on auto manufacturers or retail fuel distributors.

The GREEN Jobs Act of 2010, which was introduced by Senators Grassley and Conrad and has 10 cosponsors, extends through 2015 the income and excise tax credits for ethanol, and the cellulosic biofuel producer tax credit. It also extend until 2016 the secondary tariff on ethanol used as fuel. The VEETC provides blenders and marketers of gasoline with a Federal tax credit of 45 cents on each gallon of ethanol blended with gasoline -- enhancing the cost competitiveness of ethanol with gasoline and providing gasoline marketers and blenders an important incentive to blend ethanol with their gasoline. The VEETC is a tax credit claimed by the refiners and marketers that buy ethanol for blending with gasoline. As such, the credit supports demand by reducing the effective cost of ethanol to the purchaser, allowing him to purchase ethanol at an effective price below that charged by the producer. As a consequence, **VEETC helps to reduce prices at the pump for the consumer**. Today, because ethanol sells for $0.70 to $0.80 less than gasoline before the VEETC is taken into account. If the full value of the VEETC is passed through to the consumer, a gallon of gasoline blended with ethanol is 12 cents cheaper than conventional gasoline. Allowing VEETC to expire then, would increase consumer gasoline costs and slow the economic recovery. The VEETC will also help ensure that American biofuels producers can maintain profitability and that American taxpayers are not forced to subsidize foreign ethanol imported into the United States.

In summary, one important component of the domestic policy response to the Deepwater Horizon spill should be further efforts to promote the domestic production and use of renewable fuels like ethanol. In combination with greater vehicle efficiency, America can begin to significantly reduce dependence on petroleum. The contributions of biofuels for transportation are growing rapidly. Today we get more fuel from domestic ethanol than we do from major foreign exporters, including Venezuela, Mexico, and Nigeria. However, we must address the blend wall barrier or risk stalling the contributions of this sustainable, homegrown fuel. We therefore recommend that provisions to significantly increase flex fuel vehicles and blender pumps, such as those included in S.1627, as well as an extension of the existing biofuels tax credits and secondary tariff, be included in energy legislation in the Senate in the near future.

Thank you for your consideration of this request.

National Corn Growers Association (NCGA)
www.ncga.org

Renewable Fuels Association (RFA)
www.ethanolrfa.org

American Coalition for Ethanol (ACE)
www.ethanol.org