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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

BETTINA POIRIER, STAFF DIRECTOR
RUTH VAN MARK, MINORITY STAFF DIRECTOR

December 6, 2010

The Honorable Harry Reid
Senate Majority Leader
United States Senate

Dear Majority Leader Reid,

As the Ranking Members of the Committees on Environment and Public Works and Homeland Security and Governmental Affairs, we are concerned that the close of the 111th Congress may be used to hastily adopt energy policies designed to benefit first generation biofuels. While the adoption of additional market preferences for first generation biofuels would provide economic benefits to some regions and companies, it risks undermining the goal of developing a genuinely sustainable and safe fuels policy.

It is vitally important for our country to adopt an energy policy that both protects our energy security and ensures that we are able to satisfy our country's energy needs in a safe and reliable manner. Towards this end, we have supported the reasonable and pragmatic development of alternative motor fuels and automotive technologies. However, the federal government has provided substantial support to the first generation biofuels industry in recent years. In fact, according to the Congressional Budget Office, the first generation biofuels industry receives \$6 billion in subsidies from taxpayers annually. We are still less than three years away from the passage of the 2007 Energy Independence and Security Act, which requires the production of at least 36 billion gallons of biofuels in 2022, up from the original 2005 Energy Policy Act which required 7.5 billion gallons in 2012. Collectively, the first generation biofuels industry will receive tens of billions in unnecessary subsidies through 2022. We can no longer ignore the cost of this policy to our nation and its taxpayers, particularly given our current fiscal situation. As such, we do not believe these tax benefits should be extended or renewed as Congress works to finalize a tax package.

The energy, agricultural, and automotive sectors are already struggling to adapt to the existing ethanol mandates. The U.S. Environmental Protection Agency recently granted a partial waiver to increase the allowable ethanol content of gasoline to 15 percent. In the wake of this decision, there are growing concerns that the increased use of biofuels may cause damage to millions of vehicle, boat, and small-engine devices that were not designed to be used with these higher blends of biofuels. There are also significant and unresolved concerns regarding the labeling requirements and testing procedures for fuels products containing biofuels. Increasing the use of biofuels before these concerns are fully addressed poses a substantial liability risk for retailers and manufacturers.

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These first generation biofuel mandates also present an environmental concern as, paradoxically, they could result in energy efficiency losses and increased emissions of air pollutants because the mechanical failures can jeopardize the effectiveness of emission control devices and systems installed on engines.

Finally, over recent years we have seen food and feed prices rise as crops have been diverted to first generation biofuel production. Placing further constraints on the supply of commodities through an expanded mandate on first generation biofuels could result in price fluctuations and instability which will have an adverse impact on American producers and consumers. These indirect consequences need to be carefully weighed and addressed before a decision is reached on expanding the first generation biofuels mandate.

Given the scope of the existing ethanol mandate and the cost and safety issues that Congress and regulatory agencies are still grappling with, a further expansion of market preferences and subsidies for first generation biofuels during the end of this Congress is both unwise and unnecessary. With the limited amount of time that is available to spend on important economic and budgetary issues during the end of this Congress, we trust you will not accede to the wishes of some to bypass the deliberative legislative process in order to benefit certain regions and a handful of companies that produce first generation biofuels at the expense of the rest of the country.

Sincerely,



James M. Inhofe
United States Senator



Susan Collins
United States Senator