



Ethanol fuel tax credit redundant, unnecessary

By Kate McMahon, Energy Policy Campaigner, Friends of the Earth U.S. - 05/03/10 06:37 PM ET

Bob Dinneen, president of the Renewable Fuel Association, an ethanol trade group, presented misleading arguments for extending a \$5 billion dollar annual excise tax credit for the U.S. ethanol industry in his op-ed “Keep the excise tax credit for U.S. ethanol” (April 27). This tax credit, set to expire this year, was intended to create demand for ethanol by motivating oil companies to purchase ethanol to blend with conventional gasoline.

However, the tax credit was made redundant in 2007 by the passage of an annual federal ethanol-purchasing mandate.



Dinneen shows the tax credit is completely unnecessary by stating that ethanol is 80 cents cheaper than gasoline, before adding in the subsidy. If ethanol is already cheaper, it no longer needs the subsidies it has enjoyed for 30 years. His argument that the tax credit is essential for oil companies to buy ethanol beyond what the mandate requires becomes illogical. If ethanol is cheaper than gasoline, then oil companies have an incentive to buy more ethanol in order to produce cheaper fuel. As for Dinneen’s argument that ethanol makes gas cheaper, separate studies from the CATO Institute and the Energy Policy Research Foundation found ethanol can actually make gasoline more expensive.

The ethanol lobby cries that without the tax credit, much ethanol production will cease and rural jobs will be lost. However, Dinneen’s jobs and economic impact numbers for ethanol have been proven to be inflated. As for rural communities and farmers, a recent poll of Iowa’s farmers found they felt commodity farming, which is exacerbated by ethanol production, actually negatively affects rural communities and decreases the number of farms. Additionally, the University of Missouri Farm and Agricultural Policy Research Institute found that without the tax credit, corn ethanol production would continue to increase, but not as rapidly.

Despite minimally impacting oil imports, the ethanol lobby already garners 76 percent of every subsidy dollar for all renewable energy. Partly due to inadequate funding, cellulosic ethanol, our supposedly more-advanced option, has hardly gotten off the ground. A 2008 Iowa State University study found cellulosic ethanol will not reach its 16 billion gallon mandate by 2022. Thus, the EPA will have to

reduce the cellulosic mandate again. Continued subsidization of corn ethanol wastes precious dollars while energy sources that might actually be sustainable are drowned out.

Something is absent from Dinneen's arguments: any mention of ethanol's environmental effects. Curious, because ethanol is supposed to be our "green" and "clean" energy. Corn ethanol production uses fossil fuels extensively, creates water and air pollution throughout its production and increases global warming pollution when compared to gasoline.

End 30 years of wasteful subsidies for an industry that can stand on its own two feet. Corn ethanol does not need or warrant billions of dollars in taxpayer money.

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