



NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

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PRESS RELEASE

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Repeal of ethanol incentive will raise gas prices

Ethanol industry leaders responded to a proposed repeal of the Renewable Alcohol Tax Credit today, calling it a shortsighted and ill-informed measure that would increase gasoline prices.

A bill introduced in the U.S. Senate this week by Sen. Tom Coburn (R-Okla.) and Sen. Ben Cardin (D-MD) would raise motor fuel taxes on nearly all gasoline sold in the U.S. Currently, ethanol blended gasoline is taxed at a rate of 13.6 cents per gallon, with non-ethanol blended gasoline taxed at 18.1 cents. Blenders of the fuel, often oil companies, get the difference in a refund and often pass on those savings at the pump.

“At a time when gasoline prices are nearing the \$4.00 per gallon mark, ethanol is the only alternative liquid fuel in widespread use today. This bill would increase the cost of all ethanol blended fuels,” said Clean Fuels Development Coalition Executive Director Douglas A. Durante. Ethanol is blended with much of the gasoline sold in in the U.S. and comprises nearly ten percent of the gasoline pool.

Virginia Senator James Webb (D) and California Senator Dianne Feinstein (D) also signed on to the bill this week. According to recent price reports, ethanol in high level blends like E85 used in Flexible Fuel Vehicles is selling as much as 80 cents below gasoline. “California has one of the most progressive E85 programs in the nation and this legislation would wipe that out. Virginia just recently opened a major ethanol production facility that would be impacted by such a measure,” said Durante.

Todd Sneller, administrator of the Nebraska Ethanol Board, urged lawmakers to recognize that ethanol production increases the domestic fuel supply, cutting the price of gasoline by 15 to 50 cents per gallon.

“Nebraska motorists saved more than \$50 million during the past year because ethanol is present in most of the gasoline sold in the state,” said Sneller, also noting that a significant volume of Nebraska-produced ethanol is shipped to California.

“California motorists consume almost one-third of the gasoline sold in the U.S. To impose a fuel tax increase on motorists in California or anywhere in the nation is contrary to the economic interests of consumers and to our national energy policy”, said Sneller.

“On a gasoline equivalent basis, the U.S. ethanol industry will produce more motor fuel next year than what is stored in the Strategic Petroleum Reserve. Progress toward reducing oil

imports is not made by raising taxes on domestically produced renewable fuels while simultaneously handing out billions in subsidies to oil companies," Sneller said.

CFDC members criticized senators who supported the tax increase legislation for their characterization of ethanol as a dirty fuel.

"Ethanol is replacing toxic, carcinogenic components of gasoline and literally helping to save lives every day. At any price, ethanol is preferable to gasoline. Why any policy maker would want to tax domestic, clean burning, job creating renewable fuels at the same rate as imported, dirty fuels that cripple our economy and threaten our national security is beyond any explanation. We hope these members and others will give this proposal more thought before supporting such measures and increasing taxes," said Durante.

The current ethanol tax incentive is due to expire at the end of 2011. Members from both parties and the ethanol industry have acknowledged that the incentive needs to be re-tooled to reflect economic constraints and make it more flexible.

"This is a knee jerk reaction to high gasoline prices. The legislative proposal sends the wrong message when it proposes to increase taxes on domestically produced renewable fuels," said Durante.

Durante will be a featured guest speaker at the [Ethanol 2011: Emerging Issues Forum](#), April 7 -8 in Omaha. Visit www.ne-ethanol.org/forum2011 to register online.

See past news releases from the Nebraska Ethanol Board on the ["News & Opinion" page](#).

Established in 1971, the Ethanol Board assists ethanol producers with programs and strategies for marketing ethanol and related co-products. The Board supports organizations and policies that advocate the increased use of ethanol fuels – and administers public information, education and ethanol research projects. The Board also assists companies and organizations in the development of ethanol production facilities in Nebraska. For more information, please visit www.ne-ethanol.org.