Written by Grassley Press
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Mr. President,

I'd like to express my strong opposition to amendment #436 offered by Senator Coburn.

Senator Coburn's amendment would raise the tax on domestic energy production by repealing an incentive for the use of homegrown ethanol.

With conflicts in the Middle East and crude oil more priced at than $100 a barrel, we should be on the same side. Why would anyone prefer less domestic energy production?

We should all be on the side of more domestically produced energy.

The tremendous cost of America's dependence on foreign oil has never been more clear.

I support drilling here, and drilling now. I support renewable energy. I support conservation. And, I support nuclear energy.

The attack on domestic energy is really remarkable. We shouldn't be fighting each other over domestic energy sources.

We should be fighting OPEC and foreign dictators and oil sheiks that hold our economy hostage.

The author of the amendment has argued that the production of clean, homegrown ethanol is fiscally irresponsible.

It’s important to remember that the incentive exists to help the producers of ethanol compete with the oil industry.

And remember, the oil industry has been well supported by the federal treasury for more than a century.

The Senator from Oklahoma has touted with much fanfare a letter from oil companies that says they don’t need or want the credit.

It’s my understanding that many of the oil refiners are no longer in the business of downstream ethanol blending, and subsequently do not pay the excise tax on gasoline and do not benefit from the credit.

It’s easy to advocate repealing something when you don’t benefit from it. It’s even easier to advocate for its repeal when doing so would undercut your only competition.

It shouldn’t surprise anyone that the oil refiners and Big Oil are advocating a position that would reduce the competitiveness of ethanol.

Refiners enjoy a cozy monopoly on our nation’s transportation fuel. They opposed the Renewable Fuels Standard because it cuts into their monopoly.

Alternatively, if the members of the National Petrochemical and Refiners Association say they don’t want or don’t need the credit, they shouldn’t take it.

It’s a tax credit which they must apply for to the IRS. If they don’t want it or don’t need it, they shouldn’t file for the credit.

I’d be glad to work with the Senator from Oklahoma in getting the members of NPRA to return the credit to the Federal Treasury.

No one forced them to take the credit. Since they seem eager to return it, perhaps Senator Coburn and I can work together to get them to return it.

If you like tight gasoline supplies and $4.00 gasoline, join the campaign led by Big Oil and the National Petrochemical and Refiners Association.

If you want less dependence on foreign oil and more use of homegrown, renewable fuels, support the ethanol producers.

The fact is, the portion of the industry that blends ethanol and sells it to consumers supports maintaining the credit.

The Society of Independent Gasoline Marketers of America or SIGMA, recently wrote the Senate Majority and Minority Leaders opposing efforts to prematurely or abruptly eliminate the blender’s credit.

SIGMA’s members account for 37 percent of the petroleum retail market.

SIGMA works to promote competition in the marketplace to help keep consumer fuels costs down.

This is contrary to the position of the oil refiners who prefer no competition.

The letter states:

“As the leading marketers of ethanol-blended fuel at the retail level, SIGMA’s members and customers are the beneficiaries of VEETC.

This incentive has been an extremely useful tool in helping the nation’s fuel marketers and chain retailers deliver fuels to the market at a competitive price.

By providing long term price competitiveness for ethanol blended fuels, VEETC also helps provide assurances to marketers and retailers that important infrastructure investments necessary to deliver these fuels will continue to provide returns, and not result in wasted improvements.

“Simply put, SIGMA opposes recent moves to prematurely or abruptly end the subsidies without any consideration for future fuel and fuel-delivery costs.

To end this incentive immediately would no doubt result in an immediate spike in consumers’ fuel costs.

SIGMA believes that a policy that provides an effective transition for the industry from the current tax structure, is a better alternative to the slash and cut budget strategy being promoted by some Members of Congress.

I’d ask unanimous consent that the entire letter be entered into the Record at the conclusion of my remarks.

The Senator from Oklahoma also mentioned the total cost of the blender’s credit as a reason to support repeal of VEETC.

He claimed that the American people will have spent $32 billion on it over the past 30 years. That may be the case.

Again, I don’t believe we should be debating ethanol incentives alone or in a vacuum. For comparison’s sake, I’d like to inform my colleagues of the cost and duration of a few oil subsidies.

The Senator from Oklahoma has derided the 30-year old ethanol blender’s credit, arguing that the industry is mature.

Well, how about the oil industry?

According to the Government Accountability Office, the tax break allowing for the expensing of intangible drilling costs began in 1916 – more than 95 years ago, and continues today.

The percentage depletion allowance was enacted in 1926 – 85 years ago, and it still exists today.

After 95 years, is the domestic oil industry not mature??

I know my colleagues will be interested in how much these two subsidies have cost the American people.

A report issued by the GAO in 2000 looked at the subsidies for oil production. It reviewed a 32-year period from 1968 to 2000.

During that time-frame, the intangible drilling subsidy cost the American people as much as $52 billion. The percentage depletion subsidy cost the American people $82 billion.

So, these two provisions, enacted nearly a century ago, cost the American people as much as $114 billion from 1968 through 2000. This doesn't even include the subsidies during the past 11 years.

Last month, we had a vote here in the Senate to repeal a number of these oil and gas tax provisions

Opponents of repealing oil and gas subsidies argue that doing so would reduce domestic energy production and drive up our dependence on foreign oil.

Opponents also argued that it would cost U.S. jobs, and increase prices at the pump for consumers. I agree with these arguments.

Prices at the pump are near $4 a gallon. All of our constituents are crying out for action to lower these prices.

So, it makes sense that Congress would consider steps to address the rising energy costs and work to drive down the costs to consumers at the pump.

That's not what the Coburn amendment would do. It would not drive down the cost at the pump at all, and it would very likely lead to higher prices for consumers.

It won't lead to the production of any more energy. It won't create a single job.

It very well could lead to less domestic energy production and less employment in the U.S.

energy sector.

At a time of $4 gas and 9.1 percent unemployment, why would the Senate consider an amendment that will increase the cost of energy production, reduce domestic energy supply, and lead to job losses?

Ethanol is reducing prices at the pump. A recent study by the Center for Agriculture and Rural Development found that ethanol is reducing prices at the pump by an average of 89 cents a gallon.

The fact is, this amendment is not about reducing prices at the pump. The amendment before us is not about reducing our dependence on foreign oil.

It’s about raising taxes. And one thing is for certain, if you raise taxes on an activity, you get less of it.

A taxpayer watchdog group considers a repeal of this incentive to be a tax hike. Americans for Tax Reform states, “Repealing the ethanol credit is a corporate income tax increase.” I agree with them.

Now is not the time to impose a gas tax hike on the American people. Now is not the time to send pink slips to ethanol related jobs.

I know we all agree that we cannot and should not allow job-killing tax hikes during this time of economic uncertainty.

What this Congress should be doing is increasing the domestic production of energy as a way to increase jobs, increase domestic investment, and lower prices at the pump.

This amendment does none of those things, and actually does quite the opposite.

A repeal of the ethanol tax incentive is a tax increase that will surely be passed on to American consumers.

Repealing incentives for ethanol would have the same exact result as a repeal of oil and gas subsidies.

We'll get less domestically produced energy. It will cost U.S. jobs. It will increase our dependence on foreign oil. It will increase prices at the pump for American consumers.

Why do my colleagues want to increase our foreign energy dependence when we can produce it here at home?

So, I'd like to ask my colleagues who voted against repealing oil and gas subsidies but support repealing incentives for renewable fuels: why the inconsistency?

Interestingly, the same oil and gas association that is lobbying for repeal of the ethanol incentive led the charge against raising taxes on the oil and gas industry.

The president of the National Petrochemical and Refiners Association stated, "Targeting a specific industry or even a segment of that industry is what we would consider punitive and unfair tax policy, and it is not going to get us increased energy security, increased employment and certainly not going to lower the price of gasoline."

The fact is, it's intellectually inconsistent to say that increasing taxes on ethanol is justified, but that it's irresponsible to do so on oil and gas production.

If tax incentives lead to more domestic energy production and good paying jobs, why are only incentives for oil and gas important?

It's even more ridiculous to claim that the 30-year old ethanol industry is mature but the oil and gas industry is not.

Regardless, I don't think we should be raising taxes on any type of energy production or on any individual, particularly during this weak economy. And this amendment is a tax increase.

The Senator from Oklahoma also insists that because the renewable fuel is required to be used, it doesn't need an incentive.

But, with oil prices at $100 a barrel, oil companies are doing everything they can to extract more oil from the ground. There isn't a mandate to use oil, but it has a 100-year monopoly on our transportation infrastructure.

When there is little competition to oil and it's enormously profitable, wouldn't he argue that the necessary incentives exist to produce it without additional taxpayer support?

Oil essentially has a mandate today. The economics of oil production are clearly in favor of the producers.

It's still unclear to me why we're having this debate on this bill. This is not an energy bill. It's not a tax bill. Its prospects here in the Senate are uncertain.

Maybe most importantly, if this amendment were attached to the bill, the entire bill would be blue-slipped by the House. Revenue bills must originate in the House, and this is not a House revenue bill.

If we send it to the other body with this amendment, they will reject the bill. It will be dead on arrival.

So, why are we having this debate on this bill? We should be debating this amendment in the context of a comprehensive energy plan. This debate should include a review of the subsidies for all energy production.

We shouldn't be singling out ethanol.

Nearly every type of energy gets some market distorting subsidy from the federal government.

An honest energy debate should include ethanol, oil, natural gas, nuclear, hydropower, wind, solar, and biomass.

In December 2010, Congress enacted a one-year extension of the Volumetric Ethanol Excise Tax Credit, or VEETC, also known as the blenders' credit.

This one-year extension has allowed Congress and the domestic biofuels industry to determine the best path forward for federal support for biofuels.

As a result of these discussions, Senator Conrad and I introduced bipartisan legislation on May 4 that is a serious, responsible first step to reducing and redirecting federal tax incentives for ethanol.

Our bill will reduce VEETC to a fixed rate of 20 cents in 2012, and 15 cents in 2013. It will then convert to a variable tax incentive for the remaining three years, based on the price of crude oil.

When crude oil is more than $90 a barrel, there will be no blenders' credit. When crude oil is

$50 and below, the blenders' credit will be 30 cents. The rate will vary when the price of crude is between $50 and $90 a barrel.

When oil prices are high, a natural incentive should exist in the market to drive ethanol use.

It also would extend, through 2016, the alternative fuel refueling property credit; the cellulosic producers' tax credit; and the special depreciation allowance for cellulosic biofuel plant property

Today, Senator Thune and Senator Klobuchar are introducing another bipartisan bill to immediately reduce and reform the ethanol tax incentive.

It includes many of the same features as the bill I introduced last month, but it enacts the reforms this year. Senator Thune's approach also leads to significant deficit reduction.

The legislation we've introduced is a responsible approach that will reduce the existing blenders' credit and put those valuable resources into investing in alternative fuel infrastructure, including alternative fuel pumps.

It would responsibly and predictably reduce the existing tax incentive, and help get alternative fuel infrastructure in place so consumers can decide which fuel they'd prefer.

I know that when American consumers have the choice, they will choose domestic, clean, affordable renewable fuel.

They'll choose fuel from America's farmers and ranchers, rather than oil sheiks and foreign dictators.

Both of the ethanol reform bills I mentioned are supported by the ethanol advocacy groups. In an almost unprecedented move, the ethanol industry is advocating for a reduction in their federal incentives.

No other energy industry has come to the table to reduce their subsidies.

No other energy lobby has come to me with a plan to reduce their federal support.

In conclusion, I'd like to address two points that ethanol opponents continue to make, despite facts to the contrary.

First, ethanol and ethanol incentives are not a major factor in rising food or corn prices.

U.S. Secretary of Agriculture, Tom Vilsack, recently stated that, ""During the great run-up in food and commodity prices in 2007 and 2008, biofuel production played only a minor role — accounting for about 10 percent of the total increase in global prices."

A recent report by the Center for Agriculture and Rural Development concluded that only 8 percent of the increase in corn prices from 2006 to 2009 was due to ethanol subsidies.

Further, they concluded that, because of this small impact, it "…necessarily implies that the contribution of ethanol subsidies to food inflation is largely imperceptible in the United States."

Second, ethanol reduces greenhouse gas emissions significantly compared with gasoline.

The fact is, under the Renewable Fuels Standard created in 2007, corn ethanol was required to reduce greenhouse gas emissions compared to gasoline by at least 20 percent. Corn ethanol exceeded that threshold.

If you remove EPA's use of the murky science surrounding emissions from indirect land use changes, ethanol reduces greenhouse gas emissions by 48 percent compared to gasoline

A recent peer-reviewed study published in the Yale Journal of Industrial Ecology found that ethanol reduces greenhouse gas emissions by up to 59 percent compared to gasoline.

Ethanol currently accounts for 10 percent of our gasoline fuel pool.

A study found that the ethanol industry contributed $8.4 billion to the federal treasury in 2009 -- $3.4 billion more than the ethanol incentive. Today, the industry supports 400,000 U.S. jobs.

That's why I support a homegrown, renewable fuels industry.

I'd rather our nation be dependent on renewable fuel producers across this country rather than relying on Middle Eastern oil sheiks and Hugo Chavez.

I'd prefer we support our renewable fuel producers based right here at home. I'd prefer we decrease our dependence on Hugo Chavez, not increase it.

And I certainly don't support raising the tax on gasoline during this weak economy.

I encourage my colleagues to vote no on the motion to invoke cloture on the Coburn amendment.