



Written by [Raven Clabough](#) on December 6, 2010

## Ethanol Subsidies May be Extended

Senate Finance Chairman Max Baucus proposed a “tax extenders package” on December 2 that pertains to a slew of energy issues, including an extension of ethanol subsidies, as well as a continuation of benefits for those who produce biodiesel, natural gas vehicles, and energy-efficient products and appliances for the home.

Likewise, *Congressional Quarterly* reports that the “tax extenders package” would also “extend for a year the tax credits for building renewable-electricity projects and would create a bond program to help municipal electric companies and cooperatives finance electricity from varied renewable power sources.”



Of particular interest are the provisions of the package pertinent to the ethanol subsidies, as a number of organizations have launched a [letter-writing campaign](#) to see to it that the subsidies expire at the end of the year. The campaign has found bipartisan support from both conservative and liberal Senators as well as right-wing and left-wing organizations like FreedomWorks and the United States Public Interest Research Group. Asserting that the ethanol subsidies are expensive and that the ethanol corn industry does not make a sufficiently positive environmental impact, the groups asked that Congress eliminate a 45-cents-per-gallon Volumetric Ethanol Excise Tax Credit, and a 54-cents-per-gallon tariff on imported ethanol.

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According to *Congressional Quarterly*, Baucus “split the difference, reducing the ethanol blenders’ credit to 36 cents per gallon from the current level of 45 cents per gallon, cutting a small producer’s credit to 8 cents per gallon from the current 10 cents, and extending the import tariff at its current rate of 54 cents per gallon.”

Baucus’ compromise has little consequence on assertions that the process of converting corn to ethanol has a minimal impact on greenhouse gases.

[Clean New Power](#) explains, “In theory, the advantage over fossil fuels is that plants will absorb CO<sub>2</sub> as they grow. It is then released again, when burning the fuel, so this should be a carbon neutral process. But in reality, it depends on the efficiency of the production process. If you burn coal to create electricity that is used by an ethanol plant then the net emission of greenhouse gases could be higher than if you just burned gasoline. And then you still have to produce the fertilizers.”

Naturally, ethanol industry officials were delighted by the measures proposed in Baucus’ package, asserting they will “offer some market stability as good-faith efforts to responsibly reform ethanol tax policy.”

Opposed to the extension of the ethanol import tariff is Joel Valesco of the Brazilian Sugarcane Industry



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Association. He emphasized:

Despite calls from across the country to reform 30 years of U.S. ethanol policy, some in Congress are intent on making a bad situation worse. The ethanol import tariff shouldn't exist at all. But if it must, the tariff should be a direct offset of the tax credit that protects Americans from subsidizing foreign production, not a punitive trade barrier.

Green groups also contend that ethanol worsens air quality. Even Al Gore, who once supported tax incentives for ethanol, now asserts, "It is not good policy to have these massive subsidies for first-generation ethanol."

Baucus' package seems to address a blueprint created by the four main ethanol trade groups — American Coalition for Ethanol, Growth Energy, Renewable Fuels Association, and the National Corn Growers Association. [Politico](#) reports that the four groups "banded together an at-times fractious industry this fall to draw up a draft blueprint offering a long-term policy roadmap. This included a one-year extension of the expiring 45-cent volumetric excise ethanol tax credit."

Politicians such as Republican Charles Grassley of Iowa are less interested in cost-effectiveness and energy efficiency, however, and more concerned with votes. As Grassley's state of Iowa is the home of a number of ethanol plants, his support for the extension of the ethanol subsidies has been adamant.

Likewise, in 2007, [CBS](#) noted that politicians such as Fred Thompson, former Senator and presidential hopeful, quickly changed their tune on ethanol subsidies when they recognized that support of the industry was key in acquiring support in Iowa.

Similarly, Al Gore [admitted](#) after his 2000 presidential campaign that he simply supported the ethanol subsidies to "win Iowa."

Clearly, the ethanol subsidies, like "[cap and trade](#)," is just another energy issue that is [less about the helping the environment](#) and more about personal gain.



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