



Written by [Raven Clabough](#) on November 30, 2010

## Groups Continue to Urge for Expiration of Ethanol Subsidies

Ethanol subsidies are set to expire at the end of the year, and numerous organizations are asking Congress not to take action and allow the expiration to go forward. The proponents of the subsidies' expiration contend that converting corn to ethanol fails to make any real environmental progress while the expensive costs of the subsidies continues to burden the taxpayer.



A leading proponent of allowing the subsidies to expire is the [Competitive Enterprise Institute](#). Ben Lieberman, adjunct fellow at the Competitive Enterprise Institute, indicates, "Ethanol and wind energy have much in common: they are both expensive, inefficient, and less-than-green."

Instead, Lieberman supports coal energy, which costs 10 times less per unit energy output than renewable electricity sources, and provides nearly half of the nation's electricity. Natural gas and nuclear power provide most of the rest.

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According to Marlo Lewis of the Competitive Enterprise Institute, "There's no better way for the lame duck Congress to show that it got the message of the November elections than to sit back, do nothing, and let the ethanol tax tumble into history's dustbin."

She adds, "If fiscal responsibility counts for anything in Washington, the lame duck will embrace this easy option to avoid an additional \$30 billion in deficit spending over the next five years."

[Clean New Power](#) explains, "Big companies are losing money converting corn to ethanol in spite of government subsidies (read taxpayer money) for ethanol fuels which are usually blended with gasoline."

It maintains:

The impact on greenhouse gases is minimal.

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.

Other organizations have articulated similar sentiments.

In October, a coalition of various organizations addressed a [letter](#) to Congress, in which the writers asked for Congress to eliminate a 45-cents-per-gallon Volumetric Ethanol Excise Tax Credit (VEETC)



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and the 54-cents-per-gallon tariff on imported ethanol.

The letter reads:

Corn ethanol lobbyists are calling for "reforms" that would renew the VEETC and tariff for another five years, mandate the sale of 120 million vehicles capable of running on E-85 (motor fuel blended with 85% ethanol), provide taxpayer-backed federal loan guarantees to build an ethanol pipeline network, and provide tax credits to install 200,000 E-85 pumps at service stations.

America is not addicted to oil (consumers will stop buying gasoline the moment a superior product comes along), but the corn ethanol lobby is hooked on subsidies. As with any genuine addiction, ethanolism is an appetite that grows with feeding. The corn ethanol lobby may say it wants to make America energy independent, save the planet, and save the family farm, but what it really wants is MORE — more trade protection, more of our tax dollars, and more market-rigging rules.

For economic, humanitarian, and environmental reasons, Congress should give the VEETC and tariff the quiet burial they deserve.

The October letter was signed by the Competitive Enterprise Institute, Freedom Action, American Conservative Union, National Taxpayers Union, National Center for Public Policy Research, and FreedomWorks.

Just one month later, a second [letter](#) was sent to Congress with significantly more signatures. The November letter was supported by over 50 organizations, including the Sierra Club, MoveOn, and KyotoUSA.

The November letter, while shorter than the October letter, reiterates the need for the subsidies' expiration:

In particular, Congress has the opportunity to end the \$6 billion a year subsidy to gasoline refiners who blend corn ethanol into gasoline. At a time of spiraling deficits, we do not believe Congress should continue subsidizing gasoline refiners for something that they are already required to do by the Renewable Fuels Standard.

Experts like the Congressional Budget Office and the Government Accountability Office have concluded that the subsidy is no longer necessary, and leading economists agree that ending it would have little impact on ethanol production, prices or jobs.

In addition to the bipartisan support found in the letters sent to Congress, a report entitled "[Toward Common Ground: Bridging the Political Divide to Reduce Spending](#)," produced by both the conservative National Taxpayers Union and the liberal United States Public Interest Research Group, recommended that the federal government eliminate wasteful subsidies, such as that for ethanol, as a means to reduce the federal deficit. According to the report, the eradication of all wasteful subsidies would save \$62 billion.

The subsidies are scheduled to expire at midnight on December 31. Whether Congress will allow the expirations remains unknown.



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