

**Congress of the United States**  
**Washington, DC 20515**

December 9, 2010

The Honorable Nancy Pelosi  
Speaker, U.S. House of Representatives  
H-232, the Capitol  
Washington, DC 20515

The Honorable John Boehner  
Speaker-Elect, U.S. House of Representatives  
H-204, the Capitol  
Washington, DC 20515

Speaker Pelosi and Speaker-Elect Boehner:

For too long, the U.S. ethanol industry has enjoyed government mandates that require its use, tax credits that subsidize its production, and a prohibitive import tariff that protects it from competition. Both the tax credit and the prohibitive tariff are set to expire on December 31. I urge you to take whatever steps necessary to prevent the extension of these provisions.

Unsurprisingly, federal assistance to the ethanol industry has not achieved its intended goal, namely reducing our dependence on imported oil and reduce emissions of greenhouse gases. An op-ed published on October 12, 2010 in the *Washington Times* by Robert Bryce, senior fellow at the Manhattan Institute, noted that, "ramped-up ethanol production levels simply had no apparent effect on oil imports or consumption." Bryce also pointed out that during the last ten years, as the demand for oil in the U.S. rose, so did imports and, conversely, as the demand for domestic oil fell, imports declined as well. In addition, the Congressional Budget Office (CBO) reported in July that "because the production of ethanol draws so much energy from coal and natural gas, it can be thought of as a method for converting natural gas or coal to a liquid fuel that can be used for transportation." In other words, ethanol has done little to reduce our reliance on foreign oil and has dubious environmental impacts.

There are rumors that the extension of the expiring ethanol tax credit and tariff, and perhaps even a retroactive extension of the already-expired biodiesel tax credit, could be incorporated into Fiscal Year 2011 spending legislation or included in the recently announced tax cut extension compromise. According to the CBO report mentioned above, in Fiscal Year 2009 alone, federal revenues were \$6 billion below what they would have been had the tax credit alone not been in place. Preventing the expiration of the ethanol provisions would be far from prudent, given the fiscal challenges facing the country and the clear call sent on November 2<sup>nd</sup> for a return to fiscal sanity.

I urge you to prevent the inclusion of expiring ethanol provisions in any bill sent to the President. The ethanol industry has survived on government subsidies for thirty years and counting. If the free market can't keep the ethanol industry afloat, the federal government shouldn't either. It is time to let the free market take its course by letting these outdated and ill-advised subsidies expire.

Sincerely,

  
JEFF FLAKE  
Member of Congress