CFDC CLEAN FUELS DEVELOPMENT COALITION

Alex King
Acting Deputy Administrator
Commodity Operations
FSA
United States Department of Agriculture
STOP 0550
1400 Independence Ave, SW
Washington, DC 20250-0550

RE: Comments regarding proposed rule for CCC Bioenergy Program

The Clean Fuels Development Coalition (CFDC) is pleased to submit our comments on the Commodity Credit Corp.'s proposed rule on its Bioenergy Program. The membership of CFDC includes many groups that will be directly affected by the final outcome of this proposed rule, including ethanol producers, state corn grower associations and ethanol plant design and engineering firms. Many of our members and allies have already submitted comments on this proposed rule, including AGP, Chief Ethanol Fuels and the American Coalition for Ethanol. In addition to our own comments, we would like to extend our support for their positions, especially on the issues of payment schedules and other issues we will not address.

While the proposal rightly addresses other energy sources derived from agricultural products, such as biodiesel, we will confine our comments to the ethanol portion of the proposal.

The Coalition and its members are very supportive of the new program on a whole, but we would like to offer some suggestions that will improve the program and enhance its chances of meeting its stated goal of increasing domestic consumption of agricultural commodities

When examining the goals and objectives of this new Bioenergy program, there are two issues that must be addressed in the program to ensure its success – the changing size of the domestic ethanol industry and the time requirements needed to increase new production capacity.

The first issue is the changing size of the domestic ethanol industry, specifically what is defined as a small plant in today's market. A decade ago, when the current tax definitions of a "small plant" were written, a 30-million-gallons-per year or below may have been the correct level. Now, with changes in the operation and building patterns of the ethanol industry, we firmly believe that number should be increased.

1925 North Lynn Street Θ Suite 725 Waterview Θ Arlington, VA 22209
703-276-CFDC Θ 703-276-8444/Fax

We would suggest plants with 65 million-gallons-per-year of capacity and less be labeled "small" producers. With the change, the program would include more of the plants that need the most assistance in increasing capacity, specifically dry-milling facilities, in the higher level of benefits. It would also allow many of the new projects being planned to be able to benefit from the program.

In addition, we recommend capping the size of a plant that can benefit from this new program at 150 million-gallons-per-year of production capacity. Plants above this level have many advantages over the smaller facilities, including the ability to switch product streams between alcohol and syrup production. They also enjoy significant economies of scale and have had the majority of their plant costs already depreciated. These facilities are also the least likely to have any real expansion in corn grind to produce ethanol, which is the stated goal of the program. Also, given the "black eye" that other ethanol incentives have received in many public venues, we feel it is important to avoid the "corporate welfare" label.

Another important issue for the ethanol industry under this proposal is security and planning. It is not an easy task to justify expansion of an existing ethanol production facility, and even more difficult to justify the money for building a new plant to the banks and lending institutions. Given these hardships for smaller plants, we believe it is important to allow plants to "contract" for the payments in advance. This approach will allow for an orderly growth in the U.S. ethanol industry.

This program has the possibility to dramatically increase the amount of agricultural commodities that are used in energy production, especially in the production of fuel-grade ethanol. This expansion will help create jobs in the rural sector, increase corn prices, lower our nation's dependency on foreign oil, reduce our trade deficit and improve our environment.

We hope these comments are helpful in the finalization of this rule. If the Clean Fuels Development Coalition or any of its members can be of further assistance, please do not hesitate to contact me.

Sincerely,

Douglas Durante, Executive Director
Clean Fuels Development Coalition

1925 North Lynn Street Θ Suite 725 Waterview Θ Arlington, VA 22209
703-276-CFDC Θ 703-276-8444/Fax