

Buckle Up for the Changing Biofuels Landscape



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While I always enjoy and appreciate the opportunity to contribute to the ACE magazine, to be given the “Last Word” in this particular issue with respect to what we can look forward to this year is a challenge – I’m not sure I even know the *first* word.

Carbon, taxes, corn, cellulose, CO₂, RFS, more carbon, climate, VEETC, jobs, economy, environment, mid-level blends, high-level blends, state programs, federal programs... where do we start? Did I mention carbon? We have a new President who has made it clear: reducing CO₂ emissions is a priority for his administration. He has authored legislation to establish a low carbon fuel standard while in the U.S. Senate and, coupled with a California heavy Congressional leadership, we can expect significant action on a broad range of climate change issues.

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Some of the hard-core enviros in Congress forget that while climate change is an important issue, we need to balance that against other pressing needs that include the economy and producing more of our own energy. Fortunately, the President appears to view CO₂ reduction as both an energy and an environmental issue, and one that can propel the economy. That balance is important to control a Congress that tried to make

energy legislation about jobs in 2005, about energy in 2007, and about climate change in 2008.

So where does ethanol fit in to this picture? Quite nicely I think, because it can play a role in addressing all these issues. However, we have some work to do to get there. Clearly the “blend wall” is an immediate obstacle that lots of people are working on. More testing for mid-level blends in conventional vehicles coupled with continued expansion of FFVs and high-level blends is critical to maintain market demand.

But our challenges go well beyond the blend wall, and to the fundamental driver of the industry – public policy. From that all things flow and I am quite convinced that we need to address the overarching issue of whether ethanol is something we should even be doing.

If our lawmakers and regulators do not believe in the directional value of biofuels we will not extend our tax incentive, we will not build any new plants, we will not advance technology, and in short we will not realize the tremendous potential that biofuels represents.

From my vantage point in Washington, DC I can tell you that many policy makers do not perceive us as the good guys anymore. Ethanol has gone from hero to villain in many circles and we are seen as a special interest that makes farmers rich while we burn food, pollute, fleece taxpayers, use

more energy than we produce... and the list goes on.

The Clean Fuels Development Coalition, working with industry allies like ACE, continues to fight back with tools like our Ethanol Across America education program that includes a wide range of publications and our *Ethanol Minute* Radio spots so we can take on these special interests across the country.

The food issue was debunked, but there are other issues lining up. Opponents of ethanol do not appear to be accountable for any false claim or accusation they make, while our burden of proof is disproportionate to other forms of energy.

Consider, for example, the minefield that is developing with the U.S. EPA's assessment of indirect land use changes associated with the production of biofuels. For Congress to mandate the use of biofuels because petroleum is bad, but then say they need to be 50 to 60 percent *better* than these bad fuels defies explanation. The only consensus about determining indirect global land use impacts is that there is no consensus on how to do so.

Reducing carbon cannot be the only criteria for our energy policy. The portfolio of benefits domestic ethanol brings to the table clearly needs to be considered, and not dismissed because a computer model shows some obscure linkage to the clearing of a rainforest halfway around the world.

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This brings us to another key issue, which is how to build and finance new plants. Because of ethanol's multiple benefits, let's maintain the

ethanol tax incentive and convert that incentive to a producers credit that ensures the value of the incentive goes to the ethanol industry and not the petroleum industry.

And if it is about reducing CO₂, then let's be consistent. Congress' objective in creating advanced biofuels was to limit the use of corn and to reduce carbon emissions. A new cellulose tax credit was even created in the tax title of last year's Farm Bill. Seemingly, all the tools were in place. The “ultimate” biofuel would be to use a cellulose feedstock that was 60 percent better than gasoline and received a new 55 cent tax credit.

If the ultimate is 60 percent reduction, then a 50 percent reduction ought to be worth something, and who cares how we got it? We would be stifling technology advances if we deny a proration of the total tax credit to a sorghum plant, for example, that achieved significant CO₂ reductions.

A surgical amendment to the RFS that established single category of advanced (non-corn) biofuels, with a prorated tax credit off the maximum, would address a host of issues that, among other things, includes the fact that we are unlikely to meet the overly prescriptive mandated levels for cellulose if we do not make some changes.

We have seen in ethanol history that if the market is there, the industry will respond. With higher fuel blends and flex fuel vehicles we can create that market. Easing the credit crunch by monetizing tax credits will get the plants built.

And finally, establishing reasonable and practical CO₂ reduction strategies will address environmental concerns and allow ethanol to capture its full value as a fossil fuel substitute.

So what's the last word? Two words, actually – buckle up. Change is coming.