



August 15, 2006

The Honorable Charles E. Grassley
Chairman – Committee on Finance
United States Senate
SD 219 Dirksen Senate Office Building
Washington, DC 20510-6200

Re: Comments on Miscellaneous Tariff Measures – S.2760, S. 2763, and S. 2778: addressing the suspension of the duty on ethanol.

Dear Chairman Grassley:

The Renewable Fuels Association is the national trade association for the U.S. ethanol industry. Our objective is to promote policies, regulations and research and development initiatives that will lead to the increased production and use of fuel ethanol produced in the United States.

Ethanol is sold nationwide as a high-octane fuel that delivers improved vehicle performance while reducing emissions and improving air quality. By reducing fuel imports, ethanol reduces our nation's trade imbalance, improves our energy security, creates American jobs and provides value-added markets for American agriculture.

A number of provisions under consideration for inclusion in the *Miscellaneous Tariff Bill* would advocate removing or suspending the credit offset on ethanol imports. These provisions will negatively impact the domestic ethanol industry and I urge that they not be included in the *Miscellaneous Tariff Bill*.

The credit offset or secondary tariff exists as an offset to the tax incentive gasoline refiners receive for every gallon of ethanol they blend, regardless of the ethanol's country of origin. Removing the credit offset would mean ethanol produced in countries with similar or better ethanol programs would gain additional support through the U.S. program which is funded by U.S. taxpayers.

In the first six months of 2006 U.S. petroleum companies have imported more than 158 million gallons of ethanol, which means other countries already have access to the U.S. market. Additionally, ethanol is allowed to enter the United States duty free through the Caribbean Basin Initiative.

Today, 101 ethanol biorefineries nationwide have a capacity to produce more than 4.8 billion gallons annually. Additionally, 39 biorefineries are under construction and 7 are expanding that will add more than 2.6 billion gallons of capacity within the next 18 months. Removing the credit offset would send a devastating signal to financial markets as investment from both Wall Street and Main Street continue to grow and as the interest and opportunity for cellulosic ethanol production is becoming a reality.

Finally, removing the tariff will have no impact on what American drivers are paying at the pump. Ethanol is not the reason gas prices continue to hover around \$3.

Specifically, I object to the inclusion of the following Senate bills in the Miscellaneous Tariff Bill:

- S. 2760: a bill to suspend the duty on imports of ethanol, introduced by Senators Feinstein, Kyl and Sununu;
- S. 2763: a bill to temporarily suspend the duty on ethanol, introduced by Senator Schumer; and
- S. 2778: a bill to temporarily suspend the duty on ethanol, introduced by Senators Schumer and Gregg.

If you have any questions or comments or need additional information, then please contact me accordingly at 202.289.3835.

Sincerely,

A handwritten signature in black ink that reads "Bob Dinneen". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Bob Dinneen
President and CEO

cc: Senator Max Baucus