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December 14, 2006

The Honorable Richard G. Lugar
United States Senate
306 Hart Senate Office Building
Washington, DC 20510

Dear Senator Lugar:

Thank you for your letter of encouragement for our efforts to help transition away from foreign oil dependence. Innovative gasoline-saving technologies are leading the way forward in our product development plans. As you know, we have committed to produce 50 percent of the vehicles we make each year as flexible fuel vehicles capable of running on a renewable fuel by 2012, provided the fuel is available to consumers and sufficient incentives are in place to encourage the production of these vehicles.

Our commitment to put more flexible fuel vehicles on the road, by itself, will not reduce the nation's dependence on foreign oil. Fuel providers, retailers, and consumers are key elements of any transportation policy equation and must be part of the solution. We need a strong, long-term focus on policies that increase ethanol production, accelerate E85 infrastructure development, and ensure competitive E85 pricing to consumers. Competitively priced renewable fuels and a nationwide refueling network are essential market drivers required to encourage active consumer participation in the federal fight for energy independence. An aggressive energy security strategy of federal tax incentives and loan guarantees for ethanol producers, distributors, and retailers would increase the supply of renewable fuels, accelerate the installation of refueling systems, expand the availability of renewable fuels, and reduce transportation fuel costs for consumers.

Unfortunately, roadblocks to E85 infrastructure continue to arise. Recently, Underwriters' Laboratories (UL) have informed us they do not have a certification protocol for E85 pumps – this has halted development of several new stations and has raised questions about existing stations. Prompt resolution of this issue is necessary to continue the positive momentum.



Ford shares many of the goals in your proposed National Fuels Initiative. We both recognize the need for dramatically increasing the production, distribution, and use of cellulosic renewable fuels. In fact, Ford's Vice President of Environmental and Safety Engineering, Sue Cischke, highlighted a few of our efforts and shared perspectives on a variety of renewable fuel issues as she participated in your August 2006, Energy Security Summit at Purdue University.

Energy security concerns are driving significant investments in all areas of advanced technology vehicles including energy-efficient hybrid electric, clean diesel, and advanced internal combustion technologies. We plan an expanded application of hybrid electric technologies into the Ford Fusion and Mercury Milan in the next few years. We continue to research plug-in hybrids and the associated battery challenges. Our hybrid electric and flexible fuel vehicles represent the best of American ingenuity and engineering excellence.

Ford Motor Company is committed to employing gasoline-saving vehicle technologies, enabling consumers to reduce the nation's dependence on foreign oil. I look forward to continuing our correspondence on these and other important public policy challenges facing our great nation and the 110th Congress. Thank you for all your leadership in the Senate.

Sincerely,



Alan Mulally

