



Ethanol and Comprehensive Energy Strategy

Overview

In December 2007, the Energy Independence and Security Act was passed by the House and Senate and signed into law. Included in this historic bill is an expanded Renewable Fuel Standard (RFS), which requires 36 billion gallons of renewable fuel to be blended into the nation's fuel supply by 2022, with an allowance for 15 billion gallons of corn-based ethanol by 2015. The Energy Independence and Security Act of 2007 builds on the progress made by the 2005 Energy Policy Act, the first comprehensive energy legislation the nation has seen in more than a decade.

As part of the specific mandate for advanced biofuels, the Environmental Protection Agency (EPA) was tasked with defining the types of feedstocks that qualify for ethanol production and measuring life-cycle greenhouse gas emissions for each type of renewable fuel mandated in the 2007 law. On May 5, 2009 EPA released the Notice of Proposed Rulemaking (NOPR) to implement the expanded RFS. The proposed rulemaking seeks comment on how best to implement these new requirements. NCGA worked collaboratively with the United States Department of Agriculture (USDA), the Department of Energy (DoE) and EPA on this issue in preparation for the publication of the NOPR and will continue moving forward. There are some provisions in the NOPR that continue to be of concern, including the consideration of International Indirect Land Use Change (ILUC). NCGA will take the opportunity during the public comment period to address the many areas of concern. In addition, NCGA testified during public hearings regarding the expanded RFS and voiced our concern regarding the issue of ILUC. The NOPR is the initial step in a series of procedures to be undertaken as the rulemaking process moves forward. There will be multiple opportunities to provide comment during this process. As the rulemaking moves forward, NCGA will provide comment on two more occasions before this rule is to become final.

The issue of ILUC was also addressed as part of the climate change legislation, the American Clean Energy and Security Act, HR 2454, recently passed by the House of Representatives. Thanks to the hard work of House Agriculture Committee Chairman Colin Peterson (D-MN) an agreement was reached that would prohibit EPA from considering greenhouse gas (GHG) emissions from international indirect land use changes when implementing the expanded RFS for at least six years. The issue of ILUC would be studied by the National Academies of Sciences to determine how to proceed. The study would take three years, allowing two years for public evaluation, replication and comment on the analysis. Following the completion of the study and public comment, EPA and USDA would make a joint determination whether to proceed to include ILUC in the implementation of the expanded RFS. If USDA and EPA agree that ILUC could reasonably be accounted and were significant, Congress would have one year to rescind the decision of the two agencies.

The Renewable Fuel Standard

- The new RFS expands ethanol and biodiesel production significantly. The RFS requires the use of 11.1 billion gallons of renewable and advanced biofuels in 2009, with incremental increases, ultimately reaching 36 billion gallons by the year 2022. By the end of January 2009, ethanol production capacity is estimated to be 11.5 billion gallons.
- Rural employment and farm income are likely to rise as ethanol production expands under the expanded RFS. The RFS aids in reducing government spending on farm programs by creating greater market values for corn, creating more value-added opportunities through farmer-owned businesses and strengthening rural economies.
- The expanded RFS provides a stable demand for the use of ethanol, while reducing the nation's dependence on foreign oil. The increased use of ethanol in our nation's fuel supply is not the singular answer for America's dangerous dependence on foreign oil, but ethanol is already playing an important role in our nation's overall energy policy. Ethanol will play an integral part in finding a long-term energy security solution.

There are 166 ethanol biorefineries nationwide, with have the capacity to produce more than 11.5 billion gallons annually. There are 18 ethanol refineries and 3 expansions under construction with a combined annual capacity of more than 1.5 billion gallons.

Corn growers are playing a pivotal role in advancing the renewable fuels industry. As we enter a new era of agriculture farmers continue to be a reliable supplier of feed, food, fiber and fuel for the United States and the world marketplace.

Action Needed

- NCGA continues to advocate for comprehensive energy strategies that will diversify America's energy supply, increasing our domestic development while decreased foreign dependence.
- NCGA will continue to work with EPA and USDA to address issues of concern in the recently published NOPR implementing the RFS II, particularly the issue of International Indirect Land Use Change.
- NCGA believes tax incentives for ethanol should be directed toward domestic renewable fuels production where possible. NCGA supports the secondary tariff on ethanol that offsets the volumetric ethanol excise tax credit (VEETC) received on all blended gasoline in the United States.