Senators Feinstein and Kyl Call for Eliminating Ethanol Import Tariff

- Senators Feinstein, Kyl to introduce legislation to strike 54 cent ethanol import tariff -

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Washington, DC – U.S. Senators Dianne Feinstein (D-Calif.) and Jon Kyl (R-Ariz.) today announced that they will introduce legislation on Monday to strike the 54 cent ethanol import tariff. If passed, the bill would provide more economical options to U.S. refineries that are now required to use ethanol as part of the comprehensive Energy Bill that was signed into law last year.

"Giving the ethanol industry a triple subsidy in the energy bill last year was a terrible mistake," Senator Feinstein said. **"If our refineries are going to be forced to use ethanol, they should have the choice to buy it from the cheapest seller. They should not be constrained by artificial protectionist tariffs. Now that the ethanol mandate is law, U.S. taxpayers should no longer be asked to shoulder the costs of these subsidies. So the time has come to strike the 54 cent per gallon import tariff and give drivers a break at the gas pump."**

"**Suspending the tariff on ethanol is another step that Congress can take to ease the pressure at the pump,"** said Senator Kyl. **"The federal government set mandates for ethanol use in gasoline. Due to this mandate, the demand is outpacing supply, which further contributes to the soaring gas prices we are experiencing. Suspending the ethanol tariff will help open alternative avenues of supply."**

Currently, the United States provides the domestic ethanol industry with a 51 cent tax credit per gallon. In addition, it imposes a 54 cent per gallon tariff on importing ethanol that prevents refineries from buying ethanol from wherever it is cheapest on the global market. This year alone, the U.S. government will require refineries to use 4 billion gallons of ethanol. And this requirement will only increase in the years ahead, climbing to 7.5 million gallons in 2012 and increasing incrementally every year thereafter.

And with the refineries choosing to phase-out MTBE this year, the demand for ethanol is even greater than was expected for this year. It is not clear if the domestic supply will be able to meet that growing demand.

Ethanol imports are extremely limited, even though production costs for ethanol in foreign countries are significantly lower than in the United States. According to the Congressional Research Service, Brazilian production costs are 40 to 50% lower than in the United States. Yet the tariff raises the cost of ethanol enough to pose a significant barrier to imports.

Total ethanol consumption in 2005 was approximately 3.9 billion gallons, whereas imports totaled 180 million gallons, or about 5%. Domestic ethanol prices are pegged to retail gasoline prices.

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