Senators Feinstein, Kyl, Sununu Seek to Cut Gasoline Prices by Ending Ethanol Import Tariff

-Legislation would strike 54 cent ethanol import tariff; help ease ethanol supply crunch –

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Washington, DC – U.S. Senators Dianne Feinstein (D-Calif.), Jon Kyl (R-Ariz.), and John Sununu (R-N.H.) today introduced legislation 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.

Following is Senator Feinstein's statement entered into the Congressional record:

"Mr. President, I rise today with Senators Kyl and Sununu to introduce a bill to strike the ethanol import tariff. With record high gas prices and demand for ethanol growing faster than expected, I believe we need to act now to ease the ethanol supply crunch.

As many of my colleagues know, I have been strongly opposed to the ethanol mandate that was included in the Energy Bill enacted last August.

Today, more than ever, I believe that the time has come to end unwarranted subsidies to ethanol producers. They include:

- $4.5 billion in agricultural subsidies in 2004 alone that benefit corn farmers (Environmental Working Group);
- a 51 cent per gallon tax credit for ethanol producers; and
- a 7.5 billion gallon ethanol mandate that was included in the Energy Bill.

The current 51 cent per gallon subsidy is costing American tax payers $2 billion per year, and will cost even more after 2012 -- almost $4 billion per year -- when the use of ethanol is mandated to nearly double.

Now that the ethanol mandate is law, it is time for the subsidies to cease. I believe we need to start by striking the 54 cent per gallon ethanol import tariff. Ethanol imports are extremely limited, even though production costs for ethanol in foreign countries are significantly lower than in the United States.

For example, according to the Congressional Research Service, Brazilian productions 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. It is egregious to put such a high tariff on ethanol importation. It makes it impossible for U.S. consumers to purchase the lowest-cost ethanol. And with the refineries choosing to phase-out MTBE this year, the demand for ethanol is even greater than was expected.

It is not clear if the domestic supply will be able to meet that growing demand. Any ethanol supply disruption will hurt drivers on the East and West Coasts the most. Right now, ethanol is produced in the Midwest and must be trucked or railed to the Coasts. According to news reports, ethanol delivery from the Midwest is currently being hindered by strong demand for limited rail time and a shortage of trucks and drivers. If we strike the tariff, refineries can have more economic and efficient access to ethanol.

So, it's time to eliminate this 54 cent tariff and give consumers a break at the pump. And we are not alone in this effort. Just last week, the President asked that Congress consider eliminating the tariff.

If they are going to be forced to use ethanol, our refineries should have the ability to buy it from the cheapest seller. They should not be constrained by artificial protectionist tariffs. I hope my colleagues will join with me to strike this tariff."

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