



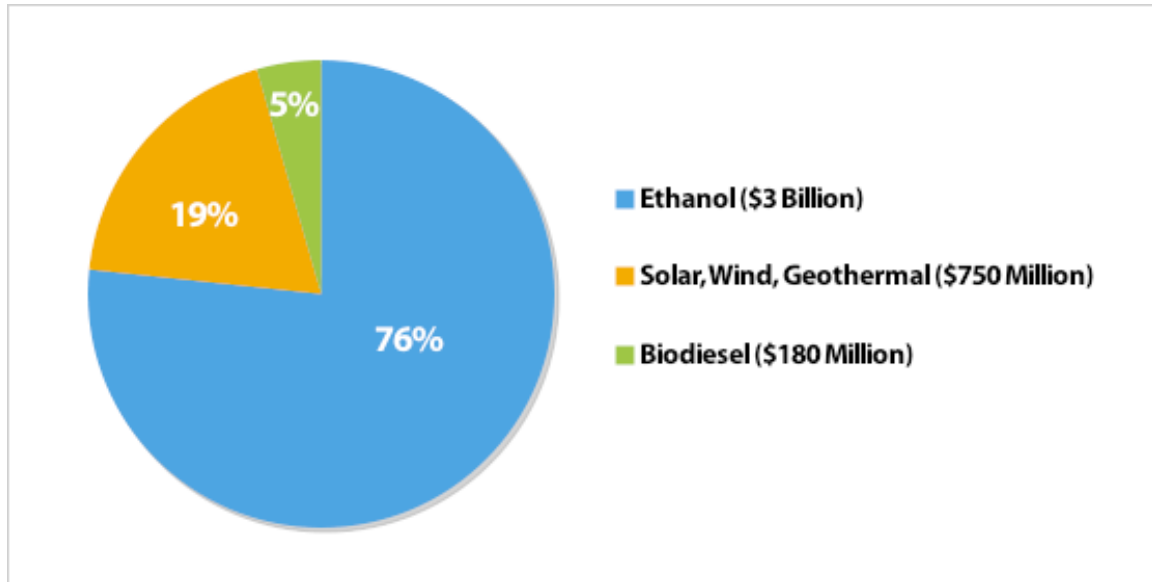
Ethanol's Federal Subsidy Grab Leaves Little For Solar, Wind And Geothermal Energy

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As Congress and the incoming Obama administration plan the nation's next major investments in green energy, they need to take a hard, clear-eyed look at Department of Energy data documenting corn-based ethanol's stranglehold on federal renewable energy tax credits and subsidies.

Solar, wind and other renewable energy sources have struggled to gain significant market share with modest federal support. Meanwhile, corn-based ethanol has accounted for fully three-quarters of the tax benefits and two-thirds of all federal subsidies allotted for renewable energy sources in 2007. A little noticed analysis buried in an April 2008 report from the federal Energy Information Administration (EIA)¹ shows that the corn-based ethanol industry received \$3 billion in tax credits in 2007, more than four times the \$690 million in credits available to companies trying to expand all other forms of renewable energy, including solar, wind and geothermal power.

ETHANOL GOT 76% (\$3 BILLION) OF ALL FEDERAL RENEWABLE ENERGY TAX CREDITS IN 2007



The federal bill for ethanol subsidies grows with every gallon of ethanol produced. By 2010, ethanol will cost taxpayers more than \$5 billion a year -- more than is spent on all U.S. Department of Agriculture conservation programs to protect soil, water and wildlife habitat.

Now the ethanol industry wants even more. In recent weeks, the corn ethanol lobby has pushed for billions in new federal subsidies as part of the economic stimulus package. Corn growers and ethanol companies are also pressing for dramatic increases in the amount of ethanol Americans will be required to put into their gas tanks—even if it results in worse fuel economy and more engine repairs. Once touted as the energy equivalent of a free lunch, corn ethanol has proved to be an over-hyped and dubious renewable energy option. Ethanol made from corn has extremely limited potential to reduce the country's dependence on imported oil, and current production systems likely worsen greenhouse gas emissions.

Moreover, despite billions in federal subsidies on top of a government mandate that forces motorists to buy ethanol, the industry's financial outlook remains highly unstable. A fleeting few years of windfall profits and breakneck construction of ethanol plants gave rise to talk of "sheikdoms" springing up in the Midwest to rival those in the Middle East and a "rural renaissance" featuring hundreds of thousands of new jobs.

But that was last year. Today, a glut of ethanol, abruptly lower gasoline prices and wild swings in the corn market have caused the ethanol industry's profit margins to evaporate, hammered its stock values, triggered major bankruptcies and shredded ambitious plans to construct dozens of new plants.

Hence the latest burst of special pleadings from the ethanol lobby. Its spokesmen have floated a proposal for billions more in taxpayer handouts via the economic stimulus bill, and they want an expanded government fiat that would require drivers to use as much as twice the ethanol that Washington currently dictates.

Even if Washington rejects the industry's latest wish list out of hand, the nation will still be saddled with a lopsided incentive structure that has rewarded politically powerful, subsidy-dependent ethanol producers at the expense of a diversified and sustainable energy future. America can do better.

The changes we need to make sustainable energy a reality:

- Phase out tax credits for corn ethanol and subsidize other biofuels only if they show clear promise to meet strict climate and environmental protection standards.
- Rebalance the U.S. renewable energy and energy conservation portfolio to favor options that do the most to reduce fossil fuel use, safeguard the environment, spur more widely-shared economic development and increase energy security.