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Reply to April 15 Editorial, "A Stealth Gas Tax"

by

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Governors' Ethanol Coalition

As the United States Senate works to construct a common sense approach to sustaining a reliable and affordable energy supply for consumers and businesses, the debate about ethanol deserves a serious, fact-based approach that was wholly lacking in your recent editorial, "A Stealth Gas Tax."

The true stealth gas tax is exacted by the nation's vulnerability to oil price decisions made by OPEC nations, on which we are excessively dependent for fossil fuels. Rising oil prices and continued unrest in the Middle East threaten America's fledgling economic recovery. We're surprised the *Journal* wouldn't support a policy that adds domestic energy supply and reduces our dependence on OPEC cartel oil.

The renewable fuels standard included in the Senate bill represents more than two years of work and a historic agreement between groups that have not always seen eye to eye: major oil companies, ethanol producers, farmers, and environmental and public health groups.

The *Journal's* concern that banning MTBE will give the entire reformulated gasoline oxygenate market to ethanol and the claim that oxygenates are not needed ignore the fact that the legislative compromise eliminates the very oxygenate requirement the *Journal* wants ended. The momentum to ban MTBE is not guided by ethanol interests, but by community water systems and health officials who have learned the hard way that MTBE is polluting the nation's water supplies.

The *Journal's* prediction that adding ethanol to gasoline will lead to shortages and price spikes is not based on the facts of the bill. The renewable fuel standard allows refiners to choose when and where to blend renewable fuels like ethanol to capture the most economical opportunities. Also, in the unlikely event of a shortage, the standard can be waived thereby preventing price spikes.

A prestigious business publication such as the *Journal* should have better knowledge of the growth occurring in the U.S. ethanol industry. By the end of this year, the ethanol industry will have the capacity to produce more than 2.7 billion gallons of ethanol – an amount not required by the legislation until 2007. Considering the ethanol industry added 1 billion gallons of capacity over the last two years, growing to meet the modest yearly increases required will hardly be a challenge. One would have hoped that the *Journal's* editorial writers would have learned about ethanol production long before now. To even suggest that the corn crop in the United States is insufficient to meet ethanol-production needs is far from the truth. For example, only *one-seventh* of Nebraska's corn crop is used to produce nearly 400 million gallons of ethanol. And ethanol can be produced from many other renewable resources besides corn.

The agricultural subsidies that the *Journal* decries as being excessive pale next to those needed to support the oil companies and America's military protecting oil production in the Persian Gulf, or the expanding role in South America's oil-producing regions. In reality, increasing ethanol production actually lowers the need for agricultural subsidies and more than offsets the minor federal tax breaks for ethanol blenders.

Neither U.S. Senators nor the 27 governors in the Governors' Ethanol Coalition who support the renewable fuel standard have made any attempt to hide this effort. We firmly believe a key element of strengthening America's energy security lies in shifting the nation's dependence from imported oil and MTBE to domestic sources, including home-grown ethanol. (The *Journal* omitted the fact that 80 percent of MTBE used in America is foreign-made.)

It appears that an overwhelming majority of the Senate disagrees with the *Journal's* position on this issue. Last week, the Senate overwhelmingly rejected the California-New York effort praised by the editorial staff. It is not uncommon for the *Journal* to have philosophical differences on policy with the Senate. Yet in this case, the *Journal* misrepresents the fundamental underpinnings of the legislation. We hope you will review the facts contained in the bill and support this legislation to boost our energy independence and security. We need a national $\frac{3}{4}$ not a regional $\frac{3}{4}$ solution, and that is exactly what the Senate bill provides.

Missouri Governor Bob Holden and North Dakota Governor John Hoeven are chair and vice chair of the 27-member Governors' Ethanol Coalition. More information about the group can be found at www.ethanol-gec.org